



DAVID Y. IGE  
GOVERNOR

SHAN TSUTSUI  
LT. GOVERNOR



STATE OF HAWAII  
**DEPARTMENT OF TAXATION**

P.O. BOX 259  
HONOLULU, HAWAII 96809  
PHONE NO: (808) 587-1540  
FAX NO: (808) 587-1560

MARIA E. ZIELINSKI  
DIRECTOR OF TAXATION



To: The Honorable Sylvia Luke, Chair  
and Members of the House Committee on Finance

Date: Wednesday, February 18, 2015  
Time: 2:00 P.M.  
Place: Conference Room 308, State Capitol

From: Maria E. Zielinski, Director  
Department of Taxation

Re: H.B. 1102, Relating to Taxation

The Department of Taxation opposes H.B.1102 and provides the following comments for your consideration.

As a result of recommendations made by the Legislative Auditor in 2010, the Department of Taxation established a tax modernization task force. Likewise, the Department of Taxation participated in a Statewide baseline assessment of technology led by OIMT in August 2011. As a result of the assessment and the efforts of the tax system modernization task force, the Legislature appropriated funding in the amount of \$32 million for tax system modernization.

Although there have been unforeseeable delays in the procurement process and further postponements due to the change in Administration, the procurement and evaluation process is currently back on track. The identification of the priority-listed vendors will be finalized very shortly by the Tax System Modernization (TSM) team and vendor demonstrations will closely follow. We believe that we can have a vendor on site as early as the summer of 2015, depending upon certain factors.

Unfortunately, the condition of our current aging tax system is precarious, non-compliant in certain areas, and with limited functionality for today's demands. Because of our tax system's limited analytics and functionality, we are highly at-risk to being subject to fraudulent tax returns. This lack of efficacy necessitates that Department of Taxation personnel perform manual analytics and/or utilize unintegrated systems to identify problematic areas. Likewise, we are forced to utilize an outside computer firm to handle our electronic filing functionality. We simply cannot delay the procurement of Tax System Modernization System.



H.B. 1102 requests that the Department of Taxation studies and reports on factors and components that have already been thoroughly researched and documented. Likewise, with the aging software and hardware at a potential failure point, we cannot delay this process any longer. Most importantly, however, is that H.B.1102 delays an initiative that is close to begin implementation and one that is critical to the State.

Thank you for the opportunity to provide comments.



# TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: ADMINISTRATION, Modernize state tax collection system

BILL NUMBER: HB 1102

INTRODUCED BY: Keohokalole

BRIEF SUMMARY: Requires the department of taxation to conduct a study on modernizing the state tax collection system. The department shall consider the: (1) measures necessary to modernize the state tax collection system; (2) estimated costs of these measures; (3) amount of time necessary to implement these measures; and (4) projected gains in revenue that these measures would produce.

Directs the department of taxation to submit a report of its findings and recommendations, including any proposed legislation, to the 2016 legislature.

EFFECTIVE DATE: Upon approval

STAFF COMMENTS: This measure would require the department of taxation to conduct a study on modernizing the state collection system. Consideration should be given to ensure that the department has sufficient funds and staff to undertake the additional duties required.

Digested 2/17/15