

STAND. COM. REP. NO. 901

Honolulu, Hawaii

MAR 1 - 2019

RE: S.B. No. 1516

S.D. 1

Honorable Ronald D. Kouchi  
President of the Senate  
Thirtieth State Legislature  
Regular Session of 2019  
State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred S.B. No. 1516 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose and intent of this measure is to reduce taxpayer penalties for nonpayments and underpayments.

More specifically, this measure:

- (1) Sets lower penalty amounts and interest rates for earlier, rather than later, payments; and
- (2) Allows a taxpayer to post a bond to avoid penalties and interest.

Your Committee received testimony in opposition to this measure from the Department of Taxation.

Your Committee received comments on this measure from the Tax Foundation of Hawaii.

Your Committee finds that, under current tax law, Hawaii imposes many different penalties on different types of infractions. These penalties are also cumulative, so that a taxpayer who fails to file a required return is often subject to



much higher penalties under state law than they would be under federal law.

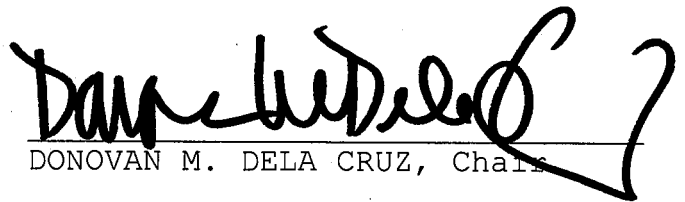
Your Committee has amended this measure by:

- (1) Deleting the provisions setting lower penalty amounts and interest rates for earlier rather than later payments;
- (2) Establishing reduced taxpayer penalties for nonpayments and underpayments that are due to reasonable cause, and not due to negligence, intentional disregard of administrative rules, or fraud;
- (3) Increasing the penalty for underpayment due to fraud;
- (4) Adjusting the penalty amounts for failure to file a tax return;
- (5) Providing that a bond posted by a taxpayer to avoid penalties and interest shall be refundable and may be posted confidentially by an agent of the taxpayer;
- (6) Assessing interest on a deficiency in state income taxes paid by a taxpayer that is caused by a change in the taxable income reported on the taxpayer's federal tax return; and
- (7) Changing the effective date to July 1, 2050, to facilitate further discussion on the measure.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1516, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1516, S.D. 1, and be placed on the calendar for Third Reading.



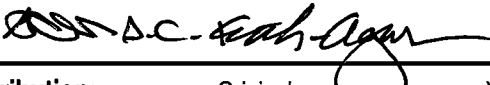
Respectfully submitted on  
behalf of the members of the  
Committee on Ways and Means,

  
DONOVAN M. DELA CRUZ, Chair



The Senate  
Thirtieth Legislature  
State of Hawai'i

**Record of Votes**  
**Committee on Ways and Means**  
**WAM**

Bill / Resolution No.:* <b>SB1516</b>	Committee Referral: <b>WAM</b>	Date: <b>2/13/19</b>		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
DELA CRUZ, Donovan M. (C)	X			
KEITH-AGARAN, Gilbert S.C. (VC)	X			
ENGLISH, J. Kalani				X
HARIMOTO, Breene	X			
INOUYE, Lorraine R.	X			
KAHELE, Kaiali'i	X			
KANUHA, Dru Mamo	X			
KIDANI, Michelle N.	X			
MORIWAKI, Sharon Y.	X			
RIVIERE, Gil	X			
SHIMABUKURO, Maile S.L.	X			
TANIGUCHI, Brian T.	X			
FEVELLA, Kurt	X			
<b>TOTAL</b>	<b>12</b>			<b>1</b>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
<b>Distribution:</b> Original    Yellow    Pink    Goldenrod File with Committee Report    Clerk's Office    Drafting Agency    Committee File Copy				

\*Only one measure per Record of Votes