

STAND. COM. REP. NO.

2740

Honolulu, Hawaii

FEB 14 2020

RE: S.B. No. 2923  
S.D. 1

Honorable Ronald D. Kouchi  
President of the Senate  
Thirtieth State Legislature  
Regular Session of 2020  
State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred S.B. No. 2923 entitled:

"A BILL FOR AN ACT RELATING TO TAX ADMINISTRATION,"

begs leave to report as follows:

The purpose and intent of this measure is to improve general tax administration.

More specifically, this measure:

- (1) Authorizes the Department of Taxation to require electronic filing of certain partnership and S corporation returns if the entity's gross income exceeds \$250,000 for the taxable year;
- (2) Authorizes the Department of Taxation to set the penalty for failure to file electronically if there is no tax shown on an improperly filed return;
- (3) Requires tax preparers to file electronically if the preparer reasonably expects to file more than ten returns of the same tax type in the calendar year, and imposes a penalty for failure to do so;



- (4) Amends section 231-9.9, Hawaii Revised Statutes, by repealing provisions that authorize the Department of Taxation to:
  - (A) Require electronic filing of state returns when a taxpayer electronically files the taxpayer's federal return; and
  - (B) Grant an exemption to the electronic filing and payment requirements for good cause;
- (5) Amends section 231-10.8, Hawaii Revised Statutes, to repeal the provision authorizing the Department of Taxation to charge a \$5 fee for a certified copy of a tax clearance;
- (6) Amends section 231-28, Hawaii Revised Statutes, to authorize the Department of Taxation to make limited disclosures of a liquor licensee's tax compliance information to the county agency that issues liquor licenses; and
- (7) Amends section 232-24, Hawaii Revised Statutes, to change the interest rate the State must pay on amounts paid pending appeal from the federal overpayment rate to:
  - (A) Three percent for corporations;
  - (B) One and one-half percent for corporations whose overpayments exceed \$10,000; and
  - (C) Four percent for all other taxpayers.

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

Your Committee finds that electronic filing of tax returns improves accuracy and efficiency. Your Committee also finds that this measure is intended to encourage increased usage of electronic filing by entities having the ability and sophistication to easily comply with electronic filing requirements. Your Committee further finds that confusion exists



regarding the calculation of the interest rate that the State is required to pay on taxes paid pending appeal. This measure is intended to provide clarification by establishing fixed interest rates that are consistent with the Internal Revenue Code.

Your Committee has amended this measure by:

- (1) Restoring provisions of section 231-9.9, Hawaii Revised Statutes, that authorize the Department of Taxation to grant an exemption to the electronic filing and payment requirements for good cause;
- (2) Clarifying that the three percent interest rate applies to corporations whose overpayments do not exceed \$10,000;
- (3) Changing the effective date to July 1, 2050, to facilitate further discussion on the measure; and
- (4) Making technical nonsubstantive amendments for purposes of clarity, consistency, and style.

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. 2923, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2923, S.D. 1, and be placed on the calendar for Third Reading.

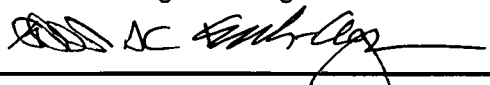
Respectfully submitted on  
behalf of the members of the  
Committee on Ways and Means,

  
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>SB 2923</b>	Committee Referral: <b>WAM</b>	Date: <b>2/4/20</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