
A BILL FOR AN ACT

RELATING TO TAXATION OF TELECOMMUNICATIONS CARRIERS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that although the Federal
2 Communications Commission cost accounting rules no longer apply
3 to price cap local exchange carriers or other carriers, those
4 Federal Communications Commission accounting rules are still
5 routinely used to value the carriers' tangible property for
6 property tax purposes and, sometimes, to calculate intrastate
7 gross receipts taxes in local jurisdictions. Accordingly, some
8 carriers do not use generally accepted accounting principles or
9 traditional valuation methods for the purposes of paying state
10 or local taxes.

11 The legislature further finds that telecommunications
12 companies routinely "undercount" their installed fiber and
13 copper assets by "rendering" only active cables and ignoring
14 dark fiber or reserve copper for valuation purposes, resulting
15 in a significant underpayment to state and local taxing
16 jurisdictions.



1 Audits in this area are rare, and quite often,
2 telecommunications companies are unaware that they should be
3 using generally accepted accounting principles rather than the
4 now inapplicable Federal Communications Commission uniform
5 system of accounts.

6 The purpose of this Act is to require:

7 (1) The department of taxation to conduct a tax audit of
8 each telecommunications carrier operating in the State
9 of Hawaii to identify past underpayments of gross
10 receipts taxes and property taxes, if any, dating back
11 to January 1, 1990; and

12 (2) That telecommunications carriers operating in Hawaii
13 use generally accepted accounting principles rather
14 than the outdated Federal Communications Commission
15 cost accounting rules to ensure that carriers render
16 all of their property, not just that which is in
17 service.

18 SECTION 2. Chapter 269, Hawaii Revised Statutes, is
19 amended by adding a new section to be appropriately designated
20 and to read as follows:



1 "§269- Telecommunications carriers; generally accepted
2 accounting principles. All telecommunications carriers that
3 operate in the State shall use generally accepted accounting
4 principles in calculating their tax liabilities to the State and
5 counties."

6 SECTION 3. (a) The department of taxation shall conduct a
7 tax audit of each telecommunications carrier operating in the
8 State of Hawaii. The audit shall identify past underpayments of
9 gross receipts taxes and property taxes, if any, dating back to
10 January 1, 1990, by each telecommunications carrier.

11 (b) The department of taxation shall begin conducting the
12 audits no later than October 1, 2021, and shall conclude the
13 audits no later than September 30, 2025.

14 (c) The department of taxation shall submit:

15 (1) A preliminary report of the findings of each audit to
16 the legislature no later than twenty days before the
17 regular session of 2023; and

18 (2) A final report of the findings of each audit and the
19 department's recommendations, including any proposed
20 legislation, to the legislature no later than twenty
21 days before the regular session of 2026.



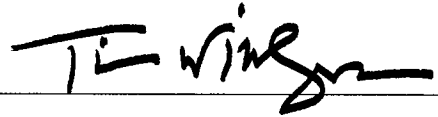
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1 SECTION 4. New statutory material is underscored.

2 SECTION 5. This Act shall take effect upon its approval.

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INTRODUCED BY:



JAN 26 2021



H.B. NO. 1203

Report Title:

DOTAX; Tax Audits; Telecommunications Companies; Generally Accepted Accounting Principles

Description:

Requires DOTAX to audit telecommunications companies operating in Hawaii to identify past underpayments of gross receipts taxes and property taxes, if any, dating back to January 1, 1990. Requires all telecommunications carriers that operate in Hawaii to use generally accepted accounting principles in calculating their tax liabilities to the State and counties.

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