

STAND. COM. REP. NO. 971

Honolulu, Hawaii

MAR 05 2021

RE: S.B. No. 1198
S.D. 2

Honorable Ronald D. Kouchi
President of the Senate
Thirty-First State Legislature
Regular Session of 2021
State of Hawaii

Sir:

Your Committees on Ways and Means and Judiciary, to which was referred S.B. No. 1198, S.D. 1, entitled:

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

beg leave to report as follows:

The purpose and intent of this measure is to amend and simplify Chapters 231 and 232, Hawaii Revised Statutes, relating to mandatory electronic filing, mandatory electronic payment, and interest rates.

More specifically, this measure:

- (1) Allows the Department of Taxation to mandate the electronic filing of:
 - (A) Partnership and S-corporation returns if the taxpayer's gross receipts exceed \$250,000; and
 - (B) Individual tax returns if the federal adjusted gross income, as shown on the taxpayer's Hawaii return, exceeds \$100,000;
- (2) Requires certain tax return preparers to file returns electronically;



- (3) Amends the rules for electronic funds transfer to remove the authorization to require electronic funds transfer or electronic filing if the federal government required that taxpayer to file or pay electronically;
- (4) Requires electronic funds transfers for tax return preparers and any person subject to mandatory electronic filing;
- (5) Removes the timeliness requirement from the electronic funds transfer penalty;
- (6) Removes the authority of the Department of Taxation to charge for certified copies of tax clearances;
- (7) Authorizes the Department of Taxation to make limited disclosures of a liquor licensee's tax compliance information directly to the license issuing agency; and
- (8) Clarifies the interest rate for payments made to taxpayers out of the litigated claims fund.

Your Committees received written comments in support of this measure from the Department of Budget and Finance and Department of Taxation.

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

Your Committees find that the amendments proposed by this measure are consistent with national trends toward electronic filing and electronic payment and would add clarity to the administration of taxes.

Your Committees have amended this measure by:

- (1) Amending section 235-20.5, Hawaii Revised Statutes, to expand the permissible uses of the tax administration special fund;
- (2) Clarifying the requirement that tax return preparers file electronically;



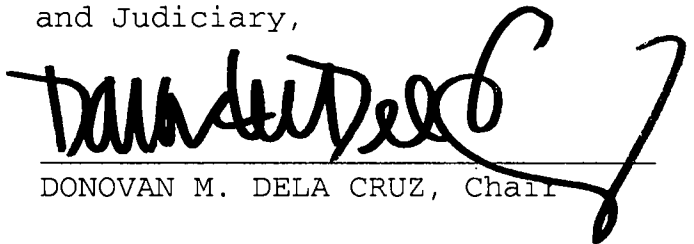
- (3) Changing the effective date to July 1, 2050, to facilitate further discussion on the measure; and
- (4) Making technical nonsubstantive amendments for purposes of clarity, consistency, and style.

As affirmed by the records of votes of the members of your Committees on Ways and Means and Judiciary that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 1198, S.D. 1, as amended herein, and recommend that it pass Third Reading in the form attached hereto as S.B. No. 1198, S.D. 2.

Respectfully submitted on behalf of the members of the Committees on Ways and Means and Judiciary,



KARL RHOADS, Chair




DONOVAN M. DELA CRUZ, Chair



The Senate
 Thirty-First Legislature
 State of Hawai'i

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:*	Committee Referral:	Date:		
SB 1198, SD 1	CPN, WAM/JDC	3/3/21		
<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			
INOUE, Lorraine R.	X			
KANUHA, Dru Mamo	X			
KIDANI, Michelle N.	X			
MORIWAKI, Sharon Y.	X			
SHIMABUKURO, Maile S.L.	X			
TANIGUCHI, Brian T.	X			
WAKAI, Glenn	X			
FEVELLA, Kurt	X			
TOTAL	11			
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes

