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To: The Honorable Donovan M. Dela Cruz, Chair;
The Honorable Gilbert S.C. Keith-Agaran, Vice Chair;
and Members of the Senate Committee on Ways & Means

From: Isaac W. Choy, Director
Department of Taxation

Date: February 10, 2021
Time: 10:00 A.M.
Place: Via Videoconference, Hawaii State Capitol

Re: S.B. 1203, Relating to Title 14, Hawaii Revised Statutes

The Department of Taxation (Department) strongly supports S.B. 1203 and offers the following comments for your consideration.

S.B. 1203 makes several nonsubstantive amendments to title 14, Hawaii Revised Statutes (HRS). These amendments are nonsubstantive, technical corrections for purposes of correcting errors and references, clarifying language, or deleting obsolete or unnecessary provisions. S.B. 1203 makes the following amendments:

- Adds a definition of "director" in chapter 231 and repeals all other definitions of "director" in the remainder of title 14, HRS, to add conformity of the term in the title;
- Amends section 235-7, HRS, to amend unconstitutional limitations on the dividends received deduction and to delete obsolete provisions relating to previous taxable years;
- Amends sections 235-12.5 and 235-51, HRS, to delete an obsolete provision;
- Repeals sections 235-5.6 and 235-111.5, HRS, containing an expired tax credit and expired rules allowing the sale of unused net operating losses, respectively;
- Amends sections 231-15.7, 231-31, 235-62, 235-99, 237-30(a), 237-33, 237-34, 237D-6.5, 237D-7, 237D-8, 238-5(a), 239-4, 243-3.5(e), 244D-6, 251-5, and 251-7, HRS, to delete obsolete provisions relating to filing and remitting taxes to the separate taxation districts, because all forms and remittances are delivered to Oahu now;
- Amends section 237-37, HRS, to delete an obsolete law allowing members of the public to see tax information that is now confidential under law;
- Repeals sections 239-11 and 239-12, HRS, because the provisions are obsolete;
- Repeals section 243-8, HRS, which established the taxable period of the fuel license tax and amends section 243-10, HRS, to create the taxable period;
- Amends section 244D-2, HRS, to remove unnecessary and onerous forty-eight hour

notice requirements for the Department of Taxation and the county liquor commissions to communicate with each other, and, additionally, makes amendments to clarify the period for which a liquor permit is valid;

- Amends section 244D-4, HRS, by deleting outdated tax rates;
- Amends section 244D-6, HRS, with technical, clarifying amendments;
- Amends section 245-2.5(a) and (b) to delete outdated effective date language;
- Amends section 245-2.5(l), HRS, by amending the recordkeeping requirements to reflect the five-year statute of limitations in chapter 245, HRS;
- Amends section 245-9, HRS, with technical and conforming amendments related to other amendments made by this bill;
- Repeals section 245-31, HRS, which requires a redundant report; and
- Amends section 245-41(c), HRS, with technical amendments.

Thank you for the opportunity to provide testimony in support of this measure.

TAX FOUNDATION OF HAWAII

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SUBJECT: ADMINISTRATION, INCOME, GENERAL EXCISE, LIQUOR, TOBACCO, FUEL, Technical Cleanup

BILL NUMBER: SB 1203; HB 1049

INTRODUCED BY: SB by KOUCHI by request; HB by SAIKI by request

EXECUTIVE SUMMARY: Amends title 14, Hawaii Revised Statutes, to make nonsubstantive changes for clarity and to delete obsolete provisions.

SYNOPSIS: Adds a definition of "director" in chapter 231 and repeals all other definitions of "director" in the remainder of title 14 for consistency.

Amends section 235-7, HRS, to remove limitations on the dividends received deduction declared unconstitutional by *Kraft General Foods, Inc. v. Iowa Department of Revenue and Finance*, 505 U.S. 71 (1992), and to delete obsolete provisions.

Amends sections 235-12.5 and 235-51, HRS, to delete obsolete provisions.

Repeals sections 235-5.6 and 235-111.5, HRS, which are now expired.

Amends sections 231-15.7, 231-31, 235-62, 235-99, 237-30(a), 237-33, 237-34, 237D-6.5, 237D-7, 237D-8, 238-5(a), 239-4, 243-3.5(e), 244D-6, 251-5, and 251-7, HRS, to delete obsolete provisions relating to filing and remitting taxes to the separate taxation districts.

Amends section 237-37, HRS, to delete an obsolete law allowing public access to tax refund information.

Repeals sections 239-11 and 239-12, HRS, which are now obsolete.

Repeals section 243-8, HRS, which established the taxable period of the fuel license tax and amends section 243-10, HRS, to create the taxable period.

Amends section 244D-2, HRS, to remove forty-eight hour notice requirements for the Department of Taxation and the county liquor commissions to communicate with each other, and makes amendments to clarify the period for which a liquor permit is valid.

Amends section 244D-4, HRS, by deleting outdated tax rates.

Amends section 244D-6, HRS, for clarity/

Amends section 245-2.5(a) and (b) to delete outdated effective date language.

Amends section 245-2.5(l), HRS, by amending the recordkeeping requirements to reflect the five-year statute of limitations in chapter 245, HRS.

Amends section 245-9, HRS, with technical and conforming amendments related to other amendments made by this bill.

Repeals section 245-31, HRS, which now requires a report.

Amends section 245-41(c), HRS, with technical amendments.

EFFECTIVE DATE: Upon approval.

STAFF COMMENTS: This is an Administration bill sponsored by the Department of Taxation and identified as TAX-09 (21).

The amendments proposed do appear to be technical and operational in nature, and appear to accomplish the technical cleanup that the Department states is the purpose of the legislation.

Some of the amendments proposed duplicate those proposed in TAX-08 (21) (SB 1202; HB 1048).

Digested 2/4/2021