

Honolulu, Hawaii

FEB 12 2021

RE: S.B. No. 1198
S.D. 1

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

Sir:

Your Committee on Commerce and Consumer Protection, to which was referred S.B. No. 1198 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:

- (1) Allow the Department of Taxation to mandate the electronic filing of partnership and S-corporation returns if the taxpayer's gross receipts exceed \$250,000 and individual tax returns if the federal adjusted gross income as shown on the taxpayer's Hawaii return exceeds \$100,000;
- (2) Require certain tax return preparers to file returns electronically and authorize a penalty for failure to do so;
- (3) Amend the rules for electronic funds transfer to remove the authorization to require electronic funds transfer or electronic filing if the federal government required that person to file or pay electronically and requires electronic funds transfers for tax return preparers and any person subject to mandatory electronic filing;



- (4) Remove the timeliness requirement from the electronic funds transfer penalty;
- (5) Remove the authority of the Department of Taxation to charge for certified copies of tax clearances;
- (6) Authorize limited disclosure of tax information to licensing agencies with respect to tax clearances for liquor license holders; and
- (7) Clarify the interest rate for payments made to taxpayers out of the litigated claims fund.

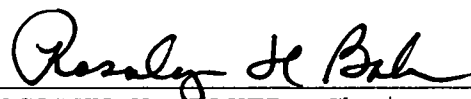
Your Committee received testimony in support of this measure from the Department of Taxation. Your Committee received comments on this measure from the Tax Foundation of Hawaii.

Your Committee finds that this measure makes various amendments to existing State law to improve general tax administration. This measure is also consistent with the national trend toward electronic filing and electronic payments, which further adds clarity and efficiency to tax administration.

Your Committee has amended this measure by making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Commerce and Consumer Protection that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1198, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1198, S.D. 1, and be referred to your Committees on Ways and Means and Judiciary.

Respectfully submitted on
behalf of the members of the
Committee on Commerce and
Consumer Protection,



ROSALYN H. BAKER, Chair



The Senate
Thirty-First Legislature
State of Hawai'i

Record of Votes
Committee on Commerce and Consumer Protection
CPN

Bill / Resolution No.:* SB1198	Committee Referral: CPN, JDC	Date: 02.10.2021		
<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
BAKER, Rosalyn H. (C)	✓			
CHANG, Stanley (VC)	✓			
MISALUCHA, Bennette E.	✓			
NISHIHARA, Clarence K.	✓			
RIVIERE, Gil	✓			
SAN BUENAVENTURA, Joy A.	✓			
FEVELLA, Kurt	✓			
TOTAL	7			
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <i>Bennette E. Misalucha</i>				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

***Only one measure per Record of Votes**