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To: The Honorable Sean Quinlan, Chair;  
The Honorable Daniel Holt, Vice Chair;  
and Members of the House Committee on Economic Development

From: Isaac W. Choy, Director  
Department of Taxation

Date: Wednesday, February 9, 2022  
Time: 10:00 A.M.  
Place: Via Video Conference, State Capitol

**Re: H.B. 1494, Relating to the Tax Administration Special Fund**

The Department of Taxation (Department) strongly supports H.B. 1494 and offers the following comments for the committee's consideration.

H.B. 1494 amends sections 231-81 and 231-82, Hawaii Revised Statutes (HRS), to expand and clarify the authority of the Department's Special Enforcement Section (SES), which is charged with carrying out civil tax enforcement as authorized by the Director of Taxation. The measure authorizes SES to examine any sector of Hawaii's economy and initiate civil investigations in order to ensure all taxpayers pay their fair share of taxes, and to prevent tax non-compliance through enforcement, education, and deterrence. It also empowers SES to refer cases dealing with any segment of the economy to the Department's Office Audit and Field Audit branches. The measure is effective upon approval.

Clearly delineating and codifying the SES' legal authority would greatly help the Department's efforts to ensure compliance with state tax laws and promote fairness and transparency for Hawaii's taxpayers. The Department is in strong support of this bill and is able to implement the measure as drafted.

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

# TAX FOUNDATION OF HAWAII

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SUBJECT: ADMINISTRATION, Special Enforcements Section; Powers

BILL NUMBER: HB 1494, SB 2379

INTRODUCED BY: HB by YAMASHITA; SB by MORIWAKI, KEOHOKALOLE, LEE, MISALUCHA, Ihara, Keith-Agaran, Wakai

EXECUTIVE SUMMARY: Amends the purpose and duties of the Special Enforcement Section of the Department of Taxation.

SYNOPSIS: Amends section 231-81, HRS, to add that the special enforcement section may (1) Examine all sectors of the State's economy; (2) Initiate civil investigations to ensure that each person pays all state taxes that the person is required to pay; and (3) Use education and enforcement to deter and prevent noncompliance with state taxation laws.

Amends section 231-82, HRS, to allow the special enforcement section to refer and recommend to appropriate auditors within the department cases or segments of the economy for audits.

EFFECTIVE DATE: Upon Approval

STAFF COMMENTS: In our view, the “added powers” given to the special enforcement section by this bill are no different from the powers of the Department generally. It should be remembered that the Department is the dog and the special enforcement section is an appendage, like a tail. The dog wags the tail, not the other way around.

We fail to see the necessity for a bill such as this.

Digested: 2/7/2022