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To: The Honorable Karl Rhoads, Chair;
The Honorable Jarrett Keohokalole, Vice Chair;
and Members of the Senate Committee on Judiciary

From: Isaac W. Choy, Director
Department of Taxation

Date: Thursday, February 3, 2022
Time: 9:30 A.M.
Place: Via Video Conference, State Capitol

Re: S.B. 2377, Relating to State Tax Examinations

The Department of Taxation (Department) supports S.B. 2377 and offers the following comments for the committee's consideration.

S.B. 2377 adds a new provision to chapter 231, Hawaii Revised Statutes (HRS), creating a new penalty for failure to respond or reply to the Department's correspondence or inquiry within a timely manner during an official inspection or examination of records. The penalty is either equal to 25 per cent of tax owed, or not more than \$10,000; the Director of Taxation is authorized to waive the penalty if the failure was due to reasonable cause. The measure takes effect upon approval.

The Department appreciates every effort to empower it with the tools and resources to help promote taxpayer compliance and efficient tax administration. 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.