

Honolulu, Hawaii

, 2024

MAR 15

RE: S.B. No. 3176
S.D. 1
H.D. 1

Honorable Scott K. Saiki
Speaker, House of Representatives
Thirty-Second State Legislature
Regular Session of 2024
State of Hawaii

Sir:

Your Committee on Judiciary & Hawaiian Affairs, to which was referred S.B. No. 3176, S.D. 1, entitled:

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

begs leave to report as follows:

The purpose of this measure is to:

- (1) Provide deadlines for taxpayers under audit to comply with demands to produce documents and evidence; and
- (2) Require the Tax Appeal Court to preclude documents or evidence not produced pursuant to a demand from being introduced in evidence in a tax appeal or action unless the failure was due to reasonable cause.

Your Committee received testimony in support of this measure from the Department of Taxation. Your Committee received testimony in opposition to this measure from Council on State Taxation and three individuals. Your Committee received comments on this measure from Tax Foundation of Hawaii.

Your Committee finds that taxpayers are subject to criminal penalties for willfully failing to supply information to the Department of Taxation at the times required by law. However,



there is no statutory deadline for taxpayers to comply with information and document requests during an audit. For this reason, many taxpayers ignore the Department's requests for information or refuse to permit the Department to examine records during an audit, opting instead to produce the records during a tax appeal, after conclusion of the audit and issuance of a final assessment. This measure establishes a specified time for taxpayers to comply with the Department's demands for information and documents during an audit.

Your Committee has amended this measure by:

- (1) Changing the effective date to July 1, 3000, to encourage further discussion; and
- (2) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Judiciary & Hawaiian Affairs that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 3176, S.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 3176, S.D. 1, H.D. 1, and be referred to your Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committee on Judiciary &
Hawaiian Affairs,



DAVID A. TARNAS, Chair



