

STAND. COM. REP. NO.

2843

Honolulu, Hawaii

MAR 01 2024

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

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Second State Legislature
Regular Session of 2024
State of Hawaii

Sir:

Your Committees on Ways and Means and Judiciary, to which was referred S.B. No. 3176 entitled:

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

beg leave to report as follows:

The purpose and intent of this measure is to improve the enforcement of tax laws in the State.

More specifically, this measure:

- (1) Provides deadlines for taxpayers under audit to comply with demands to produce documents and evidence; and
- (2) Authorizes the tax appeal court to preclude documents or information not produced pursuant to a demand from being introduced in evidence in a tax appeal or action under section 40-35, Hawaii Revised Statutes, unless the failure was due to reasonable cause.

Your Committees received testimony in support of this measure from the Department of Taxation.

Your Committees received testimony in opposition to this measure from one individual.



Your Committees received comments on this measure from the Tax Foundation of Hawaii.

Your Committees find that, under current state law, taxpayers are required to maintain account and transaction records and permit the Department of Taxation to examine those records. Taxpayers under audit are also subject to criminal penalties for willfully failing to supply information requested by the Department. However, there is presently no statutory deadline for taxpayers to comply with requests for information and documents made by the Department.

Your Committees have amended this measure by:

- (1) Changing the deadline to comply with information and document requests from "twenty days" to "thirty business days"; and
- (2) Specifying the taxable years and taxable transactions to which the measure applies.

As affirmed by the records of votes of the members of your Committees on Ways and Means and Judiciary that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 3176, as amended herein, and recommend that it pass Second Reading in the form attached hereto as S.B. No. 3176, S.D. 1, and be placed on the calendar for Third Reading.

Respectfully submitted on
behalf of the members of the
Committees on Ways and Means
and Judiciary,



KARL RHOADS, Chair



DONOVAN M. DELA CRUZ, Chair



