

STAND. COM. REP. NO.

3176

Honolulu, Hawaii

MAR 21 2024

RE: H.B. No. 2486
H.D. 1
S.D. 1

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

Sir:

Your Committee on Judiciary, to which was referred H.B. No. 2486, H.D. 1, entitled:

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

begs leave to report as follows:

The purpose and intent of this measure is to authorize the Department of Taxation to serve administrative subpoenas outside the State.

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 under existing law, the Department of Taxation is authorized to issue administrative subpoenas in a civil audit, civil investigation, civil hearing, or criminal investigation. Section 231-7, Hawaii Revised Statutes, provides that the administrative subpoena may be served at any place within the State, but is silent as to whether service of the administrative subpoena may be executed outside the State. Your Committee further finds that the number of taxpayers who engage in business in the State, and who are therefore subject to state taxes, but who do not have a physical presence in the State or do



not maintain a location for service of process in the State, has increased in recent years. Your Committee believes that eliminating in-state geographic restrictions for civil and criminal subpoenas would provide a key tool to help the Department of Taxation enforce tax laws and hold out-of-state taxpayers accountable for meeting their tax obligations. This measure will improve tax compliance and promote dynamic and efficient use of Department of Taxation resources.

Your Committee has amended this measure by:

- (1) Making it effective upon its approval; and
- (2) 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 Judiciary that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2486, H.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2486, H.D. 1, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Judiciary,



KARL RHOADS, Chair



