

ACT 273

H.B. NO. 3554

A Bill for an Act Relating to Automated Tax Systems Acquisition by the Department of Taxation.

*Be It Enacted by the Legislature of the State of Hawaii:*

SECTION 1. Act 218, Session Laws of Hawaii 1995, is amended by amending section 89 to read as follows:

“SECTION 89. Provided that of the general fund appropriation for supporting services-revenue collection (TAX 107), the sum of [\$2,540,046] \$1,842,955 for fiscal [year] years 1995-1996 and 1996-1997 shall be used only for the purposes required for the redesign and acquisition of the new integrated tax information management system; provided further that any unexpended revenues shall be lapsed to the state general fund; and provided further that the department of taxation shall submit a progress and expenditure report to the legislature no later than twenty days prior to the convening of the 1996 and 1997 regular sessions.”

SECTION 2. The department of taxation may enter into performance-based contracts to acquire automated tax systems, including computer hardware and software, for the administration of taxes.

For the purposes of this Act:

“Department” means the department of taxation.

“Performance-based contract” means a contract under which compensation to the vendor shall be computed according to performance standards established by the department. Any performance-based contract entered into by the department for such purpose shall provide:

- (1) For the payment of fees based on a contractually specified amount of the increase in the amount of taxes, interests, and penalties collected and attributable to the implementation of automated tax systems; or
- (2) For the payment of fees on a fixed-fee contract basis to be paid from the increase in the amount of taxes, interests, and penalties collected and attributable to the implementation of automated tax systems.

The State shall receive title to the automated tax systems upon full payment to the vendor.

SECTION 3. Notwithstanding any other law to the contrary, the department shall award the contract pursuant to the following procedures:

- (1) The department shall issue a public request for proposals, as provided in section 103D-303, Hawaii Revised Statutes;
- (2) The financial arrangements may include third-party financing, if warranted, and other factors determined by the department to be relevant and appropriate;
- (3) The department thereafter, may negotiate and enter into a performance-based contract with the vendor or vendors whose proposal is selected as the most qualified based on criteria established by the department;
- (4) The term of the performance-based contract entered into pursuant to this section shall not exceed ten years; and
- (5) The comptroller, in consultation with the director of finance, shall review and approve the financing arrangement agreed to by the department; provided that the comptroller and the director of finance shall not approve any financing arrangement if it will not result in increased tax collections and savings of at least \$5,000,000 over the life of the performance-based contract.

Any financing arrangement proposed by the department shall be subject to review and approval by the comptroller in consultation with the director of finance.

SECTION 4. The director of taxation shall report to the legislature no later than twenty days prior to the convening of every regular session with respect to the status of the performance-based contract and shall provide an accounting of all moneys appropriated. The report shall include:

- (1) Detailed information on the costs and benefits of implementing the automated tax systems;
- (2) The amount of increased tax, interest, and penalties collected that is attributable to the automated tax systems; and
- (3) The amount paid to the vendor or vendors contracted under section 2.

The report shall include information from the preceding fiscal year and shall continue until two complete fiscal years have elapsed following full implementation of the automated tax systems.

SECTION 5. Statutory material to be repealed is bracketed. New statutory material is underscored.

SECTION 6. This Act shall take effect upon its approval.

(Approved June 18, 1996.)