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# A BILL FOR AN ACT

RELATING TO THE DEPARTMENT OF TAXATION'S BENEFITS-FUNDED  
REVENUE-GENERATING COMPUTER INITIATIVES.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. The purpose of this Act is to provide revenue-  
2 generating initiatives that will be benefits-funded, meaning the  
3 vendor will only be paid when measurable increases in revenues  
4 resulting from the initiatives are collected by the State. The  
5 revenues will be used by the department of taxation to enhance  
6 its computer system and to streamline related operational  
7 procedures. This Act shall be known as the "Continuing  
8 Integrated Tax Information Management Systems Revenue-Generating  
9 Initiatives Act of 2007."

10           SECTION 2. Chapter 231, Hawaii Revised Statutes, is  
11 amended by adding a new section to be appropriately designated  
12 and to read as follows:

13           "§231-    Integrated tax information management systems  
14 special fund. (a) There is established in the state treasury  
15 the integrated tax information management systems special fund,  
16 into which shall be deposited tax revenues as provided by  
17 sections 235-119, 237-31, and 238-14. The director of taxation



1 may retain and deposit the amounts necessary to meet the  
2 obligations of the performance-based contracts for the  
3 integrated tax information management systems. The amounts  
4 transferred by the director of taxation to the integrated tax  
5 information management systems special fund shall be limited to  
6 the amounts appropriated by the legislature.

7 (b) Moneys in the special fund shall be expended by the  
8 department to pay for:

9 (1) The performance-based contracts for the integrated tax  
10 information management systems; and

11 (2) Administrative and operating expenses related to the  
12 integrated tax information management systems revenue-  
13 generating initiatives.

14 Unless otherwise provided by law, all other receipts shall  
15 immediately be deposited to into the state treasury."

16 SECTION 3. Section 36-27, Hawaii Revised Statutes, is  
17 amended to read as follows:

18 **"§36-27 Transfers from special funds for central service**  
19 **expenses.** Except as provided in this section, and  
20 notwithstanding any other law to the contrary, from time to  
21 time, the director of finance, for the purpose of defraying the

1 prorated estimate of central service expenses of government in  
2 relation to all special funds, except the:

- 3 (1) Special out-of-school time instructional program fund  
4 under section 302A-1310;
- 5 (2) School cafeteria special funds of the department of  
6 education;
- 7 (3) Special funds of the University of Hawaii;
- 8 (4) State educational facilities improvement special fund;
- 9 (5) Convention center enterprise special fund under  
10 section 201B-8;
- 11 (6) Special funds established by section 206E-6;
- 12 (7) Housing loan program revenue bond special fund;
- 13 (8) Housing project bond special fund;
- 14 (9) Aloha Tower fund created by section 206J-17;
- 15 (10) Funds of the employees' retirement system created by  
16 section 88-109;
- 17 (11) Unemployment compensation fund established under  
18 section 383-121;
- 19 (12) Hawaii hurricane relief fund established under chapter  
20 431P;
- 21 (13) Hawaii health systems corporation special funds;



- 1 (14) Tourism special fund established under section 201B-
- 2 11;
- 3 (15) Universal service fund established under chapter 269;
- 4 (16) Integrated tax information management systems special
- 5 fund under section [~~231-3.2;~~] 231-  ;
- 6 (17) Emergency and budget reserve fund under section 328L-
- 7 3;
- 8 (18) Public schools special fees and charges fund under
- 9 section 302A-1130(f);
- 10 (19) Sport fish special fund under section 187A-9.5;
- 11 (20) Neurotrauma special fund under section 321H-4;
- 12 (21) Deposit beverage container deposit special fund under
- 13 section 342G-104;
- 14 (22) Glass advance disposal fee special fund established by
- 15 section 342G-82;
- 16 (23) Center for nursing special fund under section [~~+~~]304A-
- 17 2163[~~+~~];
- 18 (24) Passenger facility charge special fund established by
- 19 section 261-5.5;
- 20 (25) Solicitation of funds for charitable purposes special
- 21 fund established by section 467B-15;
- 22 (26) Land conservation fund established by section 173A-5;



1 (27) Court interpreting services revolving fund under  
2 section 607-1.5;  
3 (28) Trauma system special fund under section 321-22.5;  
4 (29) Hawaii cancer research special fund;  
5 (30) Community health centers special fund; and  
6 (31) Emergency medical services special fund[+];  
7 shall deduct five per cent of all receipts of all other special  
8 funds, which deduction shall be transferred to the general fund  
9 of the State and become general realizations of the State. All  
10 officers of the State and other persons having power to allocate  
11 or disburse any special funds shall cooperate with the director  
12 in effecting these transfers. To determine the proper revenue  
13 base upon which the central service assessment is to be  
14 calculated, the director shall adopt rules pursuant to chapter  
15 91 for the purpose of suspending or limiting the application of  
16 the central service assessment of any fund. No later than  
17 twenty days prior to the convening of each regular session of  
18 the legislature, the director shall report all central service  
19 assessments made during the preceding fiscal year.[+]"

20 SECTION 4. Section 36-30, Hawaii Revised Statutes, is  
21 amended by amending subsection (a) to read as follows:

22 "(a) Each special fund, except the:



- 1 (1) Transportation use special fund established by section
- 2 261D-1;
- 3 (2) Special out-of-school time instructional program fund
- 4 under section 302A-1310;
- 5 (3) School cafeteria special funds of the department of
- 6 education;
- 7 (4) Special funds of the University of Hawaii;
- 8 (5) State educational facilities improvement special fund;
- 9 (6) Special funds established by section 206E-6;
- 10 (7) Aloha Tower fund created by section 206J-17;
- 11 (8) Funds of the employee's retirement system created by
- 12 section 88-109;
- 13 (9) Unemployment compensation fund established under
- 14 section 383-121;
- 15 (10) Hawaii hurricane relief fund established under chapter
- 16 431P;
- 17 (11) Convention center enterprise special fund established
- 18 under section 201B-8;
- 19 (12) Hawaii health systems corporation special funds;
- 20 (13) Tourism special fund established under section 201B-
- 21 11;
- 22 (14) Universal service fund established under chapter 269;



- 1 (15) Integrated tax information management systems special  
2 fund under section [~~231-3.2,~~] 231- ;
- 3 (16) Emergency and budget reserve fund under section 328L-  
4 3;
- 5 (17) Public schools special fees and charges fund under  
6 section 302A-1130(f);
- 7 (18) Sport fish special fund under section 187A-9.5;
- 8 (19) Neurotrauma special fund under section 321H-4;
- 9 (20) Center for nursing special fund under section [~~+~~]304A-  
10 2163[~~+~~];
- 11 (21) Passenger facility charge special fund established by  
12 section 261-5.5; and
- 13 (22) Court interpreting services revolving fund under  
14 section 607-1.5;
- 15 (23) Trauma system special fund under section 321-22.5;
- 16 (24) Hawaii cancer research special fund;
- 17 (25) Community health centers special fund; and
- 18 (26) Emergency medical services special fund[~~+~~];
- 19 shall be responsible for its pro rata share of the  
20 administrative expenses incurred by the department responsible  
21 for the operations supported by the special fund concerned. [~~+~~]"



1 SECTION 5. Section 235-119, Hawaii Revised Statutes, is  
2 amended to read as follows:

3 "**§235-119 Taxes, state realizations.** [~~All~~] (a) Except as  
4 provided in subsection (b), all income taxes shall be for the  
5 use of the State and shall be paid into the state treasury at  
6 such times as the director of finance shall direct.

7 (b) The director of taxation shall pay the income taxes  
8 into the state treasury as a state realization; provided that a  
9 sum, not to exceed the amount necessary to meet the obligations  
10 of the performance-based contracts for the integrated tax  
11 information management systems, may be retained and deposited  
12 into the state treasury to the credit of the integrated tax  
13 information management systems special fund. The sum retained  
14 by the director of taxation for deposit into the integrated tax  
15 information management systems special fund shall be limited to  
16 amounts appropriated by the legislature."

17 SECTION 6. Section 237-31, Hawaii Revised Statutes, is  
18 amended to read as follows:

19 "**§237-31 Remittances.** All remittances of taxes imposed by  
20 this chapter shall be made by money, bank draft, check,  
21 cashier's check, money order, or certificate of deposit to the  
22 office of the department of taxation to which the return was

1 transmitted. The department shall issue its receipts therefor  
2 to the taxpayer and shall pay the moneys into the state treasury  
3 as a state realization, to be kept and accounted for as provided  
4 by law; provided that:

5 (1) The sum from all general excise tax revenues realized  
6 by the State that represents the difference between  
7 \$90,000,000 and the proceeds from the sale of any  
8 general obligation bonds authorized for that fiscal  
9 year for the purposes of the state educational  
10 facilities improvement special fund shall be deposited  
11 in the state treasury in each fiscal year to the  
12 credit of the state educational facilities improvement  
13 special fund for public school capital improvement  
14 program needs; [~~and~~]

15 (2) A sum, not to exceed \$5,000,000, from all general  
16 excise tax revenues realized by the State shall be  
17 deposited in the state treasury in each fiscal year to  
18 the credit of the compound interest bond reserve  
19 fund[-]; and

20 (3) A sum, not to exceed the amount necessary to meet the  
21 obligations of the performance-based contracts for the  
22 integrated tax information management systems, may be

1           retained and deposited into the state treasury to the  
 2           credit of the integrated tax information management  
 3           systems special fund. The sum retained by the  
 4           director of taxation for deposit into the integrated  
 5           tax information management systems special fund shall  
 6           be limited to amounts appropriated by the  
 7           legislature."

8           SECTION 7. Section 238-14, Hawaii Revised Statutes, is  
 9 amended to read as follows:

10           "**§238-14 Taxes state realizations.** [~~All~~] (a) Except as  
 11 provided in subsection (b), all taxes collected under this  
 12 chapter shall be state realizations.

13           (b) The director of taxation shall pay the use taxes into  
 14 the state treasury as a state realization; provided that a sum,  
 15 not to exceed the amount necessary to meet the obligations of  
 16 the performance-based contracts for the integrated tax  
 17 information management systems, may be retained and deposited  
 18 into the state treasury to the credit of the integrated tax  
 19 information management systems special fund. The sum retained  
 20 by the director of taxation for deposit into the integrated tax  
 21 information management systems special fund shall be limited to  
 22 amounts appropriated by the legislature."



1 SECTION 8. Act 273, Session Laws of Hawaii 1996, is  
2 repealed.

3 SECTION 9. (a) Notwithstanding any other law to the  
4 contrary, the department of taxation may enter into performance-  
5 based contracts to enhance or acquire automated tax systems,  
6 including computer hardware and software, for the implementation  
7 and administration of the taxes imposed under title 14, Hawaii  
8 Revised Statutes, including any amendments.

9 (b) For the purposes of this Act:

10 "Performance-based contract" means a contract under which  
11 compensation to the vendor shall be computed according to  
12 performance standards established by the department of taxation.  
13 Any performance-based contract entered into by the department of  
14 taxation for such purpose shall provide for the payment of fees:

15 (1) Based on a contractually specified amount of the  
16 increase in the amount of taxes, interest, and  
17 penalties collected and attributable to the  
18 implementation of the revenue-generating initiatives;  
19 or

20 (2) On a fixed-fee contract basis to be paid from the  
21 increase in the amount of taxes, interest, and



1 penalties collected and attributable to revenue-  
2 generating initiatives.

3 (c) Notwithstanding any other law to the contrary, the  
4 department of taxation shall award performance-based contracts  
5 pursuant to the requirements of chapter 103D, Hawaii Revised  
6 Statutes.

7 SECTION 10. The department of taxation shall report to the  
8 legislature no later than twenty days prior to the convening of  
9 every regular session with respect to the status of any  
10 performance-based contract and shall provide an accounting of  
11 all moneys appropriated. The report shall include:

12 (1) Detailed information on the costs and benefits of  
13 implementing the automated tax systems;

14 (2) The amount of increased tax, interest, and penalties  
15 collected that is attributable to the automated tax  
16 systems;

17 (3) The amount paid to the vendor or vendors contracted;  
18 and

19 (4) The information from the preceding fiscal year.

20 SECTION 11. There is appropriated out of the general  
21 revenues of the State of Hawaii the sum of \$ for fiscal



1 year 2007-2008 to be deposited into the integrated tax  
2 information management systems special fund.

3 SECTION 12. There is appropriated out of the integrated  
4 tax information management systems special fund the sum of \$  
5 or so much thereof as may be necessary for fiscal year 2007-2008  
6 to be used for the purposes of the integrated tax information  
7 management systems special fund established pursuant to section  
8 231- , Hawaii Revised Statutes.

9 The sum appropriated shall be expended by the department of  
10 taxation for the purposes of section 231- , Hawaii Revised  
11 Statutes.

12 SECTION 13. Statutory material to be repealed is bracketed  
13 and stricken. New statutory material is underscored.

14 SECTION 14. This Act shall take effect on July 1, 2020;  
15 provided that the amendments to section 237-31, Hawaii Revised  
16 Statutes, by this Act, shall not be repealed when section 237-  
17 31, Hawaii Revised Statutes, is reenacted on June 30, 2008,  
18 pursuant to Act 304, Session Laws of Hawaii 2006.



**Report Title:**

Department of Taxation

**Description:**

Specifies that the vendor will only be paid when measurable increases in revenues resulting from the initiatives are collected by the State. Creates an Integrated Tax Information Managements Systems ("ITIMS") special fund to hold the proceeds from the initiatives to be used to enhance the DOTAX computer system and to fund related operational and administrative functions. Effective July 1, 2020. (HB1412 HD1)

