STAND. COM. REP. NO. 154

Honolulu, Hawaii

APR 0 5 2007

H.B. No. 1034 RE:

S.D. 1

Honorable Colleen Hanabusa President of the Senate Twenty-Fourth State Legislature Regular Session of 2007 State of Hawaii

Madam:

Your Committees on Economic Development and Taxation and Ways and Means, to which was referred H.B. No. 1034 entitled:

"A BILL FOR AN ACT RELATING TO TAXES,"

beg leave to report as follows:

The purpose of this measure is to require the Department of Taxation to provide the Legislature with certain annual and biennial reports.

Prior to the hearing, your Committees circulated a Proposed H.B. No. 1034, S.D. 1, which deleted the contents of the measure and replaced them with language from S.B. No. 1839, S.D. 2 (Parts I and II), and from S.B. No. 1504, S.D. 2 (Part III).

The purpose of the amended measure is to:

- In Parts I and II, establish the Integrated Tax Services (1) and Management Special Fund to receive revenues from integrated tax services and management systems postimplementation revenue-generating initiatives, and provide that moneys in the fund will be used to pay for the integrated tax services and management systems; and
- In Part III, require that the Department of Taxation, by rules adopted pursuant to chapter 91, Hawaii Revised Statutes, shall require the electronic, telephonic, or optical filing of tax returns under certain conditions, and provides that a service fee shall not be required.

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The Department of Taxation and the Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO submitted written testimony in support of the Proposed H.B. No. 1034, S.D. 1. Tax Foundation of Hawaii submitted comments on the proposed language.

Your Committees have further amended the proposed measure by:

- Clarifying that the Integrated Tax Services and (1) Management Special Fund will improve customer services, improve taxpayer fairness, and increase cost savings, with an emphasis on electronic filing;
- Making conforming amendments to section 36-24 and section 36-30, Hawaii Revised Statutes, to reflect the changes made to these sections by H.B. No. 1108, H.D. 1 (the annual statutory revision bill), which is awaiting the Governor's signature;
- Replacing the \$5,000,000 appropriation in sections 12 and 13 with unspecified amounts;
- Requiring the Department of Taxation to repay the (4)general fund for the appropriation to the Integrated Tax Services and Management Special Fund no later than June 30, 2008;
- Clarifying the distinction between mandatory state electronic filing for those businesses required to file electronically by the Internal Revenue Service, and those voluntary electronic filing features being added as part of the integrated tax services and management software upgrades; and
- Adding an appropriation section for the Department of Taxation to pay the eHawaii.gov vendor for the costs of electronic filing that were previously paid by the taxpayer, to be paid out of the Integrated Tax Services and Management Special Fund.

As affirmed by the records of votes of the members of your Committees on Economic Development and Taxation and Ways and Means that are attached to this report, your Committees are in accord with the intent and purpose of H.B. No. 1034, as amended herein, and recommend that it pass Second Reading in the form attached

hereto as H.B. No. 1034, S.D. 1, and be placed on the calendar for Third Reading.

Respectfully submitted on behalf of the members of the Committees on Economic Development and Taxation and Ways and Means,

ROSALYN H. BAKER, Chair

CAROL FUKUNAGA, Chair

The Senate Twenty-Fourth Legislature State of Hawaii

Record of Votes Committee on Economic Development and Taxation EDT

	Committee Referral: EDT/WAM		Date: 4/3/07			
The committee is reconsidering its previous decision on this measure.						
If so, then the previous decision was to:						
The Recommendation is:						
Pass, unamended Pass, with amendments Hold Recommit 2312 2311 2310 2313						
Members	Aye	Aye (WR)	Nay	Excused		
FUKUNAGA, Carol (C)	/					
ESPERO, WIII (VC)						
ENGLISH, J. Kalani						
IGE, David Y.						
SLOM, Sam						

TOTAL	4					
Recommendation: Adopt	ed	Not Adopted				
Chair's or Designee's Signature: Will Engro						
Distribution: Original Yellow Pink File with Committee Report Clerk's Office Drafting Agency						

*Only one measure per Record of Votes

The Senate Twenty-Fourth Legislature State of Hawaii

Record of Votes Committee on Ways and Means WAM

Bill / Resolution No.:* HB 1034	Committee Referral: EDT/WAM		te: 4/3/07		
The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to:					
The Recommendation is:					
Pass, unamended Pass, with amendments Hold Recommit 2312 2311 2310 2313					
Members	Aye	Aye (WR)	Nay	Excused	
BAKER, Rosalyn H. (C)	/				
TSUTSUI, Shan S. (VC)					
CHUN OAKLAND, Suzanne	/				
ENGLISH, J. Kalani					
FUKUNAGA, Carol	/				
HOOSER, Gary L.					
KIM, Donna Mercado					
MENOR, Ron					
TOKUDA, Jill N.			and the land of th		
HEMMINGS, Fred					
WHALEN, Paul					
TOTAL	10	3	Ø		
Recommendation: Adopted Not Adopted					
Chair's or Designee's Signature	e: >				
Distribution: Original Yellow Pink File with Committee Report Clerk's Office Drafting Agency					

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