STAND. COM. REP. NO.

Honolulu, Hawaii

FEB 1 9 2016

RE: S.B. No. 2926 S.D. 1

Honorable Ronald D. Kouchi President of the Senate Twenty-Eighth State Legislature Regular Session of 2016 State of Hawaii

Sir:

Your Committee on Judiciary and Labor, to which was referred S.B. No. 2926 entitled:

"A BILL FOR AN ACT RELATING TO ADMINISTRATIVE TAX APPEALS AND DISPUTE RESOLUTION PROGRAM,"

begs leave to report as follows:

The purpose and intent of this measure is to amend section 231-7.5, Hawaii Revised Statutes, to:

- Change the title of the appeals officer from independent to administrative appeals officer;
- (2) Make a taxpayer or return preparer eligible to petition to participate in the administrative appeals and dispute resolution program and establishing conditions, procedures, and deadlines whereby the taxpayer or return preparer may petition to do so; and
- (3) Establish that the decisions of the administrative appeals officer may not be appealed to the Board of Review or any court.

Your Committee received testimony in support of this measure from the Department of Taxation. Your Committee received comments on this measure from Chamber of Commerce Hawaii and Tax Foundation of Hawaii.

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Your Committee finds that the Department of Taxation recently launched the administrative appeals and dispute resolution program to provide taxpayers a streamlined method to quickly and fairly resolve tax disputes over proposed or final assessments. This program works with the Department's Compliance Division and the taxpayer to settle disputes within six to twelve months, thereby providing a quick and cost effective alternative to litigation. This measure makes amendments to the law relating to the administrative appeals and dispute resolution program to clarify procedural requirements and conform to the appeal programs offered by the Internal Revenue Service.

Your Committee has amended this measure by:

- (1) Adopting the language suggested by the Department of Taxation that:
 - (A) Reinstates language that requires, rather than allows, an appeals officer to be authorized to compromise or settle any dispute;
 - (B) Deletes language that disallows decisions of the administrative appeals officer from being appealed to the Board of Review or any court; and
 - (C) Deletes language that requires a taxpayer to withdraw the taxpayer's appeal to the Board of Review prior to the administrative appeals officer commencing any substantive work toward the resolution of the dispute if the taxpayer has filed an appeal with the Board of Review;
- (2) Inserting an effective date of January 7, 2059, to encourage further discussion; and
- (3) 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 and Labor that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2926, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2926, S.D. 1, and be referred to your Committee on Ways and Means.



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

Chair GILBERT S.C. KEITH-AGARAN



The Senate Twenty-Eighth Legislature State of Hawaiʻi

Record of Votes Committee on Judiciary and Labor JDL

Bill / Resolution No.:*	Committee		Dat	ie: 1	/
SB 2926	JDL, WAM 2/17/16				
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
KEITH-AGARAN, Gilbert S.C. (C)					
SHIMABUKURO, Maile S.L. (VC)					
GABBARD, Mike					
KIM, Donna Mercado					
THIELEN, Laura H.					
SLOM, Sam				i	
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TOTAL		5			1
Recommendation:					
Adopted Not Adopted					
Chair's or Designee's Signature:					
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy					

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*Only <u>one</u> measure per Record of Votes