

**S.B. NO. 2823**

JAN 24 2018

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**A BILL FOR AN ACT**

RELATING TO TAX ADMINISTRATION.

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

1 SECTION 1. Section 235-20.5, Hawaii Revised Statutes, is  
2 amended by amending subsection (a) to read as follows:

3 "(a) There is established a tax administration special  
4 fund, into which shall be deposited:

5 (1) Fees collected under sections 235-20, 235-110.9, and  
6 235-110.91;

7 (2) Revenues collected by the special enforcement section  
8 pursuant to section 231-85; provided that in each  
9 fiscal year, of the total revenues collected by the  
10 special enforcement section, all revenues in excess of  
11 [~~\$700,000~~] \$1,000,000 shall be deposited into the  
12 general fund; and

13 (3) Fines assessed pursuant to section 237D-4."

14 SECTION 2. Statutory material to be repealed is bracketed  
15 and stricken. New statutory material is underscored.

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1 SECTION 3. This Act shall take effect upon its approval.

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INTRODUCED BY: *M. D. H.*

BY REQUEST

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**Report Title:**

Tax Administration

**Description:**

Increases the limit on revenues collected by the special enforcement section that are deposited into the tax administration special fund.

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## JUSTIFICATION SHEET

DEPARTMENT: Taxation

TITLE: A BILL FOR AN ACT RELATING TO TAX ADMINISTRATION.

PURPOSE: Increase the limit on revenues collected by the special enforcement section that are deposited into the tax administration special fund from \$700,000 to \$1,000,000.

MEANS: Amend section 235-20.5(a), Hawaii Revised Statutes.

JUSTIFICATION: The department finds that the special enforcement section is a valuable tool in assessing and collecting tax and in encouraging voluntary compliance, in particular from the cash economy and from transient accommodations operations. Increased funding for the special enforcement section will expand its workforce and improve its operations by making greater use of data analytics to identify non-compliance and to investigate non-filers and under-reporters of general excise and transient accommodations taxes. It will also help increase coverage of our neighbor islands.

Impact on the public: Funding of a larger workforce will enable the special enforcement section to conduct more field visits and attend more public events. This will result in greater presence and public awareness of the section, encourage greater voluntary compliance, and serve as a deterrent against failing to comply with the State's tax laws by non-compliant business operators.

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Impact on the department and other agencies:

The department will benefit from a more robustly funded special enforcement section. Since its inception, the special enforcement section has secured significant numbers of delinquent and improperly filed tax returns as well as the accompanying tax revenue for the State. These collections amount to multiples of the section's costs of operations.

GENERAL FUND: \$300,000.

OTHER FUNDS: None.

OTHER AFFECTED AGENCIES: None.

EFFECTIVE DATE: Upon approval.