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**TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

TESTIMONY ON THE FOLLOWING MEASURE:

S.B. No. 2879, Relating to Taxation

BEFORE THE:

House Committee on Labor

DATE: Tuesday, March 17, 2026

TIME: 9:30 a.m.

LOCATION: State Capitol, Room 309

Chair Sayama, Vice-Chair Lee, and Members of the Committee:

The Department of Taxation (DOTAX) provides the following comments on S.B. 2879 for your consideration.

S.B. 2879 proposes amendments to section 231-4.5, Hawaii Revised Statutes (HRS), affecting the appointment, qualifications, and job duties of exempt positions within DOTAX's Administrative Rules Office. Currently, the director of taxation ("director") is authorized to appoint an administrative rules officer ("rules officer") and administrative rules specialists ("specialists"), who "may be legal or accounting professionals," and the rules officer is responsible for directing the adoption of tax-related rules, assisting with tax memoranda and information releases, and carrying out other duties assigned by the director.

This measure would require the rules officer to be a legal, tax, or accounting professional and would authorize the rules officer, rather than the director, to appoint specialists. Specialists would also be required to have legal, tax, or accounting credentials, or equivalent experience relevant to adopting tax rules and assisting with tax memoranda and information releases. This measure removes the director's authority to assign Rules Office staff "other duties" beyond the adoption of administrative rules and issuance of written guidance.

The bill is effective upon approval.

DOTAX has concerns with this bill. Section 231-4.5, HRS, is not an exhaustive list of the work performed by the rules officer and specialists, focusing on rule adoption and the issuance of written tax guidance. In practice, these staff also support other areas of the department, including compliance, collections, and taxpayer services, handle legislative duties, respond to technical tax questions, meet with taxpayers, industry representatives, and tax practitioners, assist with disputes and litigation, support UIPA responses, and contribute to taxpayer education and outreach. Removing the director's authority to assign "other duties" could be interpreted as preventing the rules officer and specialists from performing these essential functions, which are normally outside the purview of civil service staff responsibilities.

Furthermore, although the director would still appoint the rules officer, the language of this measure allows only the rules officer to appoint specialists. The rules officer position has been vacant since August and is difficult to fill due to the broad legal, tax, legislative, and management expertise required. As a result, the department would be unable to fill any specialist positions whenever the rules officer position is vacant, as is the case now.

Thank you for the opportunity to provide comments.