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To: The Honorable Donovan M. Dela Cruz, Chair;  
The Honorable Gilbert S.C. Keith-Agaran, Vice Chair;  
and Members of the Senate Committee on Ways and Means

From: Rona M. Suzuki, Director  
Department of Taxation

Re: **H.B. 1049, H.D. 1, Relating to Taxation**

Date: Tuesday, February 11, 2020

Time: 10:30 A.M.

Place: Conference Room 211, State Capitol

The Department of Taxation (Department) strongly supports H.B. 1049, H.D. 1, an Administration measure.

H.B. 1049, H.D. 1, makes various technical amendments to Title 14, Hawaii Revised Statutes (HRS). These amendments are necessary as Chapters 243, 244D, and 245, HRS, have not been reviewed for technical cleanup in many years. This measure is effective upon approval.

The Department appreciates the adoption of its suggested amendments into H.D. 1. After further consideration, the Department respectfully requests the following amendments:

- Add a new section to chapter 243, HRS, incorporating relevant provisions of chapters 235 and 237. A similar provision exists in chapters 244D and 245, HRS. With the inclusion of this language, section 243-11, HRS, can be repealed.

**"243- Chapter 235 and chapter 237 applicable.** All of the provisions of chapters 235 and 237 not inconsistent with this chapter and which may appropriately be applied to the taxes, persons, circumstances, and situations involved in this chapter, including (without prejudice to the generality of the foregoing) provisions as to penalties and interest, and provisions granting administrative powers to the director of taxation, and provisions for the assessment, levy, and collection of taxes, shall be applicable to the taxes imposed by this chapter, and to the assessment, levy, and collection thereof."

- Amend sections 243-2, 243-3, 244D-2, 245-2, and 245-3, HRS (the sections related to licensing and permitting), so that they read and operate more similarly to each other, including requiring compliance with Title 14 for issuance, assignability, display requirements, and the process for revocation of permit or license. Upon the Committee's request, the Department is able to provide language to assist with this amendment;
- Delete the final sentence of section 243-2, HRS. Hawaii didn't have any fuel refineries prior

to 1962, so military and commercial aviators shipped fuel in for their own use. However, because a fuel refinery now exists in Hawaii, military and commercial aviators can purchase fuel locally and this language is no longer necessary;

- Amend section 243-10, HRS, to add a sentence clarifying that fuel tax return information is confidential except for the information specifically mentioned in that section. This clarification was made at the recommendation of the Department of the Attorney General;

Statements filed under this section concerning the number of gallons of fuel refined, manufactured, compounded, imported, sold or used by the distributor or person are public records. All other information filed under this chapter and not expressly made public record under this section shall not be public records.

- Amend the HD1's amendment to section 244D-1, HRS, to remove direct wine shipper permits from the definition of "dealer." The Department made this recommendation to the House Committee on Finance in error;
- Amend section 245-33, HRS, to allow the Department to decrease the amount refunded to taxpayers for unused stamps by any amount of discounted purchase price received under section 245-22(e), HRS.

The department shall adopt rules for a refund or credit to a licensee in the amount of denominated values less any discount applied pursuant to section 245-22(e).

The Department believes that these additional amendments contained in this bill will add clarity to the law and allow for more effective administration.

Thank you for the opportunity to provide testimony in support of this measure.

# TAX FOUNDATION OF HAWAII

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SUBJECT: ADMINISTRATION, FUEL, LIQUOR, TOBACCO, Technical Cleanup

BILL NUMBER: HB1049, HD-1

INTRODUCED BY: House Committee on Finance

EXECUTIVE SUMMARY: Makes various technical amendments to chapters 231, 243, 244D, and 245, Hawaii Revised Statutes.

SYNOPSIS: Makes clarifying and technical changes to chapters 231 (tax administration), 243 (fuel tax), 244D (liquor tax), and 245 (tobacco tax).

EFFECTIVE DATE: Upon approval.

STAFF COMMENTS: This is an Administration bill sponsored by the Department of Taxation and designated TAX-10 (19).

The bill does appear to be a technical cleanup bill.

Digested 2/6/2020