

JAN 24 2007

---

---

# A BILL FOR AN ACT

RELATING TO TAX SYSTEMS.

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

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17

PART I

SECTION 1. The purpose of this Act is to provide revenue generating initiatives that will be benefits-funded, meaning the vendor will only be paid when measurable increases in revenues resulting from the initiatives are collected by the State. The revenues will be used by the department of taxation to enhance its computer system, called the integrated tax information management system, and to streamline related operational procedures.

SECTION 2. Chapter 231, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

"§231- Integrated tax services and management special fund. (a) There is established in the state treasury the integrated tax services and management special fund.  
(b) Notwithstanding any other law to the contrary, the source of funding of any appropriations to the integrated tax

1 services and management special fund for the purposes of funding  
2 initiatives under subsection (c) shall come from the tax  
3 revenues collected pursuant to chapters 235, 237, and 238.

4 (c) Moneys in the special fund may be expended upon  
5 appropriation by the legislature by the department to pay for  
6 the integrated tax information management systems performance-  
7 based contracts and administrative and operating expenses  
8 related to the integrated tax information management system  
9 post-implementation revenue-generating initiatives; provided  
10 that the department shall not hire more than full  
11 time equivalent positions to carry out the department's  
12 responsibilities under this section.

13 (d) The expenditure ceiling for the integrated tax  
14 services and management special fund shall be \$ . Any  
15 moneys remaining in the fund at the end of each fiscal year that  
16 are in excess of \$ shall be transferred to the credit  
17 of the general fund."

18 SECTION 3. Section 36-27, Hawaii Revised Statutes, is  
19 amended to read as follows:

20 **"§36-27 Transfers from special funds for central service**  
21 **expenses.** Except as provided in this section, and  
22 notwithstanding any other law to the contrary, from time to



1 time, the director of finance, for the purpose of defraying the  
2 prorated estimate of central service expenses of government in  
3 relation to all special funds, except the:

- 4 (1) Special out-of-school time instructional program fund  
5 under section 302A-1310;
- 6 (2) School cafeteria special funds of the department of  
7 education;
- 8 (3) Special funds of the University of Hawaii;
- 9 (4) State educational facilities improvement special fund;
- 10 (5) Convention center enterprise special fund under  
11 section 201B-8;
- 12 (6) Special funds established by section 206E-6;
- 13 (7) Housing loan program revenue bond special fund;
- 14 (8) Housing project bond special fund;
- 15 (9) Aloha Tower fund created by section 206J-17;
- 16 (10) Funds of the employees' retirement system created by  
17 section 88-109;
- 18 (11) Unemployment compensation fund established under  
19 section 383-121;
- 20 (12) Hawaii hurricane relief fund established under chapter  
21 431P;
- 22 (13) Hawaii health systems corporation special funds;



- 1 (14) Tourism special fund established under section
- 2 201B-11;
- 3 (15) Universal service fund established under chapter 269;
- 4 (16) Integrated tax [~~information~~] services and management
- 5 [~~systems~~] special fund under section [~~231-3.2~~]
- 6 231- ;
- 7 (17) Emergency and budget reserve fund under section
- 8 328L-3;
- 9 (18) Public schools special fees and charges fund under
- 10 section 302A-1130(f);
- 11 (19) Sport fish special fund under section 187A-9.5;
- 12 (20) Neurotrauma special fund under section 321H-4;
- 13 (21) Deposit beverage container deposit special fund under
- 14 section 342G-104;
- 15 (22) Glass advance disposal fee special fund established by
- 16 section 342G-82;
- 17 (23) Center for nursing special fund under section
- 18 [~~+~~]304A-2163 [~~+~~];
- 19 (24) Passenger facility charge special fund established by
- 20 section 261-5.5;
- 21 (25) Solicitation of funds for charitable purposes special
- 22 fund established by section 467B-15;



1           (26) Land conservation fund established by section 173A-5;  
2           (27) Court interpreting services revolving fund under  
3           section 607-1.5;  
4           (28) Trauma system special fund under section 321-22.5;  
5           (29) Hawaii cancer research special fund;  
6           (30) Community health centers special fund; and  
7           (31) Emergency medical services special fund[+];  
8 shall deduct five per cent of all receipts of all other special  
9 funds, which deduction shall be transferred to the general fund  
10 of the State and become general realizations of the State. All  
11 officers of the State and other persons having power to allocate  
12 or disburse any special funds shall cooperate with the director  
13 in effecting these transfers. To determine the proper revenue  
14 base upon which the central service assessment is to be  
15 calculated, the director shall adopt rules pursuant to chapter  
16 91 for the purpose of suspending or limiting the application of  
17 the central service assessment of any fund. No later than  
18 twenty days prior to the convening of each regular session of  
19 the legislature, the director shall report all central service  
20 assessments made during the preceding fiscal year.[+]"

21           SECTION 4. Section 36-30, Hawaii Revised Statutes, is  
22 amended by amending subsection (a) to read as follows:



- 1           "(a) Each special fund, except the:
- 2           (1) Transportation use special fund established by section
- 3                 261D-1;
- 4           (2) Special out-of-school time instructional program fund
- 5                 under section 302A-1310;
- 6           (3) School cafeteria special funds of the department of
- 7                 education;
- 8           (4) Special funds of the University of Hawaii;
- 9           (5) State educational facilities improvement special fund;
- 10          (6) Special funds established by section 206E-6;
- 11          (7) Aloha Tower fund created by section 206J-17;
- 12          (8) Funds of the employees' retirement system created by
- 13                 section 88-109;
- 14          (9) Unemployment compensation fund established under
- 15                 section 383-121;
- 16          (10) Hawaii hurricane relief fund established under chapter
- 17                 431P;
- 18          (11) Convention center enterprise special fund established
- 19                 under section 201B-8;
- 20          (12) Hawaii health systems corporation special funds;
- 21          (13) Tourism special fund established under section
- 22                 201B-11;



- 1 (14) Universal service fund established under chapter 269;
- 2 (15) Integrated tax [~~information~~] services and management
- 3 [~~systems~~] special fund under section [~~231-3.2+~~]
- 4 231- ;
- 5 (16) Emergency and budget reserve fund under section
- 6 328L-3;
- 7 (17) Public schools special fees and charges fund under
- 8 section 302A-1130(f);
- 9 (18) Sport fish special fund under section 187A-9.5;
- 10 (19) Neurotrauma special fund under section 321H-4;
- 11 (20) Center for nursing special fund under section
- 12 [+]304A-2163[+];
- 13 (21) Passenger facility charge special fund established by
- 14 section 261-5.5;
- 15 (22) Court interpreting services revolving fund under
- 16 section 607-1.5;
- 17 (23) Trauma system special fund under section 321-22.5;
- 18 (24) Hawaii cancer research special fund;
- 19 (25) Community health centers special fund; and
- 20 (26) Emergency medical services special fund[+];



1 shall be responsible for its pro rata share of the  
2 administrative expenses incurred by the department responsible  
3 for the operations supported by the special fund concerned. [†]"

4 SECTION 5. Section 235-119, Hawaii Revised Statutes, is  
5 amended to read as follows:

6 "~~§235-119~~ **Taxes, state realizations.** ~~[All]~~ Except as  
7 provided in subsection (b), all income taxes shall be for the  
8 use of the State and shall be paid into the state treasury at  
9 such times as the director of finance shall direct.

10 (b) The director of taxation shall pay the income taxes  
11 into the state treasury as a state realization; provided that a  
12 sum, not to exceed the amount necessary to meet the obligations  
13 of integrated tax information management systems  
14 performance-based contracts, may be retained and deposited into  
15 the state treasury to the credit of the integrated tax services  
16 and management special fund. The sum retained by the director  
17 of taxation for deposit into the integrated tax services and  
18 management special fund shall be limited to amounts appropriated  
19 by the legislature."

20 SECTION 6. Section 237-31, Hawaii Revised Statutes, is  
21 amended to read as follows:





1           "§237-31 Remittances. All remittances of taxes imposed by  
2 this chapter shall be made by money, bank draft, check,  
3 cashier's check, money order, or certificate of deposit to the  
4 office of the department of taxation to which the return was  
5 transmitted. The department shall issue its receipts therefor  
6 to the taxpayer and shall pay the moneys into the state treasury  
7 as a state realization, to be kept and accounted for as provided  
8 by law; provided that:

9           (1) The sum from all general excise tax revenues realized  
10           by the State that represents the difference between  
11           \$90,000,000 and the proceeds from the sale of any  
12           general obligation bonds authorized for that fiscal  
13           year for the purposes of the state educational  
14           facilities improvement special fund shall be deposited  
15           in the state treasury in each fiscal year to the  
16           credit of the state educational facilities improvement  
17           special fund for public school capital improvement  
18           program needs; and

19           (2) A sum, not to exceed \$5,000,000, from all general  
20           excise tax revenues realized by the State shall be  
21           deposited in the state treasury in each fiscal year to  
22           the credit of the compound interest bond reserve fund.



1       (3) A sum, not to exceed the amount necessary to meet the  
2       obligations of integrated tax information management  
3       systems performance-based contracts, may be retained  
4       and deposited into the state treasury to the credit of  
5       the integrated tax services and management special  
6       fund. The sum retained by the director of taxation  
7       for deposit into the integrated tax services and  
8       management special fund shall be limited to amounts  
9       appropriated by the legislature."

10       SECTION 7. Section 238-14, Hawaii Revised Statutes, is  
11 amended to read as follows:

12       "**§238-14 Taxes state realizations.** [All] Except as  
13 provided in subsection (b), all taxes collected under this  
14 chapter shall be state realizations.

15       (b) The director of taxation shall pay the use taxes into  
16 the state treasury as a state realization; provided that a sum,  
17 not to exceed the amount necessary to meet the obligations of  
18 integrated tax information management systems performance-based  
19 contracts, may be retained and deposited into the state treasury  
20 to the credit of the integrated tax services and management  
21 special fund. The sum retained by the director of taxation for  
22 deposit into the integrated tax services and management special



1 fund shall be limited to amounts appropriated by the  
2 legislature."

3 SECTION 8. Section 231-3.2, Hawaii Revised Statutes, is  
4 repealed.

5 ~~["§231-3.2 Integrated tax information management systems~~  
6 ~~special fund. (a) There is established in the state treasury~~  
7 ~~the integrated tax information management systems special fund~~  
8 ~~into which shall be deposited general excise tax revenues as~~  
9 ~~provided by section 237-31. The director of taxation may retain~~  
10 ~~and deposit the amounts necessary to meet the obligations of the~~  
11 ~~integrated tax information management systems performance based~~  
12 ~~contract. The amounts transferred by the director of taxation~~  
13 ~~to the integrated tax information management systems special~~  
14 ~~fund for a fiscal year shall be limited to the amounts~~  
15 ~~appropriated by the legislature.~~

16 ~~(b) Moneys in the fund shall be expended by the department~~  
17 ~~to pay for the integrated tax information management systems~~  
18 ~~performance based contracts authorized by Act 273, Session Laws~~  
19 ~~of Hawaii 1996.~~

20 ~~(c) The department shall submit an annual report to the~~  
21 ~~legislature no later than twenty days prior to the convening of~~



1 ~~each regular session, providing an accounting of the receipts~~  
2 ~~of, and expenditures from, the fund.~~

3 ~~(d) This section shall be repealed on July 1, 2005."~~

4 PART II

5 SECTION 9. Act 304, Session Laws of Hawaii 2006, is  
6 amended by amending section 4 to read as follows:

7 "SECTION 4. This Act shall take effect on July 1, 2006[+  
8 ~~provided that on June 30, 2008, section 2 of this Act shall be~~  
9 ~~repealed and section 237-31, Hawaii Revised Statutes, is~~  
10 ~~reenacted in the form in which it read on the day before the~~  
11 ~~effective date of this Act]."~~

12 SECTION 10, Act 273, Session Laws of Hawaii 1996, is  
13 repealed.

14 PART III

15 SECTION 11. (a) The department of taxation shall enter  
16 into performance-based contracts to enhance or acquire automated  
17 tax systems, or both, including computer hardware and software,  
18 for the implementation and administration of the city and county  
19 of Honolulu surcharge authorized under section 46-16.8, Hawaii  
20 Revised Statutes, and adopted by ordinance.

21 (b) For the purposes of this Act:



1 "Performance-based contract" means a contract under which  
2 compensation to the vendor shall be computed according to  
3 performance standards established by the department of taxation.  
4 Any performance-based contract entered into by the department of  
5 taxation for the purposes established under subsection (a) shall  
6 provide for the payment of fees:

7 (1) Based on a contractually specified amount of the  
8 increase in the amount of taxes, interest, and  
9 penalties collected and attributable to the  
10 implementation of the integrated tax information  
11 management system post-implementation revenue-  
12 generating initiatives; or

13 (2) On a fixed-fee contract basis to be paid from the  
14 increase in the amount of taxes, interest, and  
15 penalties collected and attributable to the  
16 implementation of integrated tax information  
17 management system post-implementation revenue-  
18 generating initiatives.

19 (c) The State shall receive a permanent license to use the  
20 enhanced or automated tax systems upon full payment to the  
21 vendor.



1 (d) Notwithstanding any other law to the contrary, the  
2 department of taxation shall award the performance-based  
3 contract pursuant to the requirements of chapter 103D, Hawaii  
4 Revised Statutes.

5 SECTION 12. The director of taxation shall report to the  
6 legislature, no later than twenty days prior to the convening of  
7 every regular session, beginning with the 2008 regular session,  
8 with respect to the status of the performance-based contract and  
9 shall provide an accounting of all moneys appropriated. The  
10 report shall include:

11 (1) Detailed information on the costs and benefits of  
12 implementing the integrated tax information management  
13 system post-implementation revenue-generating  
14 initiatives;

15 (2) The amount of increased tax, interest, and penalties  
16 collected that is attributable to the integrated tax  
17 information management system post-implementation  
18 revenue-generating initiatives; and

19 (3) The amount paid to the vendor or vendors contracted  
20 under section 11 of this Act.

21 The report shall also include any other information from  
22 the preceding fiscal year that may assist the legislature in



1 determining the efficacy of a contract executed under this Act,  
 2 beginning with the fiscal year immediately preceding the fiscal  
 3 year commencing on the effective date of this Act and continuing  
 4 until two complete fiscal years have elapsed following the full  
 5 implementation of the integrated tax information management  
 6 system post-implementation revenue-generating initiatives.

PART IV

8 SECTION 13. Statutory material to be repealed is bracketed  
 9 and stricken. New statutory material is underscored.

10 SECTION 14. This Act shall take effect upon approval;  
 11 provided that:

12 (1) Sections 1, 11, and 12 of this Act shall be repealed  
 13 on June 30, ; and

14 (2) Sections 2, 3, 4, 5, 6, 7, 8, 9, and 10 of this Act  
 15 shall be repealed on December 31, ; provided that  
 16 sections 36-27, 36-30, 235-119, 237-31, and 238-14  
 17 Hawaii Revised Statutes, shall be reenacted in the  
 18 form in which they existed on the day before the  
 19 effective date of this Act.

*Amiel Nye*

INTRODUCED BY:

*Hpa:GR*

*Carol Fukunaga*

*Francine Chun Oalland*

2007-1154 SB SMA-1.doc



*Clara Reich*

*Jim*

*Will Ennis*

Ronald E. Baker

Ronald Baker

Thomas J. Brown

Bruce Kohb





**Report Title:**

Integrated Tax Services and Management Systems; Special Fund

**Description:**

Establishes integrated tax services and management special fund to receive revenues from the integrated tax information management systems post-implementation revenue-generating initiatives; provides that moneys in the fund will be used to pay for the integrated tax information management systems.

