
From: Jessica Su [jsu@horwathkam.com]
Sent: Wednesday, February 25, 2009 11:57 AM
To: JGO Testimony
Subject: SB 973, Relating to Tax Administration, 9:30 am, Friday, February 27, 2009, Conference Room 016
Attachments: image001.jpg

Dear Chair Taniguchi, Vice Chair Takamine, and Members of the Committee:

The Tax Committee of the Hawaii Society of Certified Public Accountants opposes SB 973, which is intended to enhance tax compliance and deter tax frauds ("the Bill"). The preamble of the Bill reads:

As a self-reporting system that relies upon the honesty and integrity of taxpayers, enforcement of Hawaii's tax laws is only as effective as the compliance tools that exist to deter dishonest conduct. Hawaii lacks a vast majority of the tools used by the Internal Revenue Service to ensure optimal compliance and deter tax frauds. The purpose of this Act is to amend title 14, Hawaii Revised Statutes, to conform Hawaii tax administration provisions to the Internal Revenue Code.

While the Tax Committee supports the notion that Hawaii tax laws should be in conformity with the federal tax law wherever possible, to include taxpayer and tax preparer penalties, we currently oppose SB 973. We oppose the Bill since unlike the Internal Revenue Service the Department of Taxation unfortunately does not have the necessary wherewithal to administer the tax laws of the State of Hawaii in a consistent, uniform and fair manner. More specifically unlike the Internal Revenue Service the Department of Taxation does not have:

- Sufficient rules and regulations which adequately interpret tax laws of the State of Hawaii that are unique or different from the federal government;
- Adequate rules and regulations governing the Department's conduct (e.g., federal Internal Revenue Manual);
- Established set of fair rules to protect the taxpayers' rights (e.g., federal "Taxpayer's Bill of Rights");
- A mechanism to timely publish and maintain all policies established by the Department; or
- An independent body(ies) that ensures that the tax laws of the State of Hawaii is consistently, uniformly and fair manner by the Department (e.g. federal "Taxpayer Advocate" or "Tax Appeals Office").

Therefore, adoption of the Bill at this time without first addressing and resolving the Department of Taxation's ability to administer the tax laws of the State of Hawaii in a consistent, uniform and fair manner will place State taxpayers and tax preparers at an extreme disadvantage.

Kindest regards,
Jessica Swanson
Chair of Tax Committee

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