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Subject: *Submitted testimony for HB1139 on Feb 9, 2017 14:00PM*

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HB1139

Submitted on: 2/7/2017

Testimony for JUD on Feb 9, 2017 14:00PM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Javier Mendez-Alvarez	Individual	Oppose	No

Comments:

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TAX FOUNDATION OF HAWAII

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SUBJECT: INCOME, ADMINISTRATION, Disclosure of Tax Return Information

BILL NUMBER: HB 1139; SB 1005

INTRODUCED BY: HB by Souki by request; SB by Kouchi by request

EXECUTIVE SUMMARY: Technical amendments to allow explicitly certain forms of interagency disclosure, and to specify that income tax information is confidential even in the hands of another agency.

BRIEF SUMMARY: Amends section 235-116, Hawaii Revised Statutes, to clarify that all information submitted, collected, or maintained under chapter 235, Hawaii Revised Statutes, with any state agency is confidential. Also amends section 235-116, Hawaii Revised Statutes, to clarify that all information filed under chapter 235, Hawaii Revised Statutes, with any state agency is confidential.

EFFECTIVE DATE: Upon approval.

STAFF COMMENTS: This bill is sponsored by the Department of Taxation TAX-04 (17). The Department asserts that the amendment to section 235-116, HRS, is needed to clarify that all information filed under the Income Tax Law with any state agency is confidential. Currently, the Department of Agriculture, the Department of Business, Economic Development, and Tourism, and the Department of Health receive tax information for tax credit administration.

The proposed amendment makes confidential any tax returns and return information required to be collected or maintained under the Income Tax Law, at least when it is in the hands of a government agency. "Confidential" in this context means that the state agencies are prohibited from disclosing the information to others, whether or not the same information may be obtainable from the reporting company's files or personnel by judicial process. *St. Regis Paper Co. v. United States*, 368 U.S. 208, 218-19 (1961) (discussing IRC sections 6103 and 7213(a)).

Digested 2/8/2017

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LATE TESTIMONY

To: The Honorable Scott Y. Nishimoto, Chair
and Members of the House Committee on Judiciary

Date: Thursday, February 9, 2017

Time: 2:00 P.M.

Place: Conference Room 325, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: H.B. 1139, Relating to the Disclosure of Tax Returns and Tax Return Information

The Department of Taxation (Department) strongly supports H.B. 1139, an administration measure, clarifying that all information filed under chapter 235, Hawaii Revised Statutes (HRS), is confidential. The disclosure of tax return information of any kind is prohibited, and this measure clarifies that this prohibition extends to information required to be filed under chapter 235, HRS, with agencies other than the Department. H.B. 1139 is effective upon its approval.

The Department must emphasize that our State's tax system is based on voluntary compliance with the tax laws. A system based on voluntary compliance requires taxpayers to candidly report their income and to proactively pay the tax they owe. The primary incentive to encourage taxpayers to candidly report tax information is the guarantee of confidentiality of the information they report. H.B. 1139 clarifies the law and strengthens the guarantee of taxpayer confidentiality.

Thank you for the opportunity to provide testimony in support.