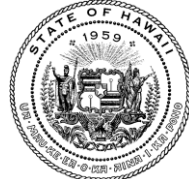


DAVID Y. IGE  
GOVERNOR

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LT. GOVERNOR



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To: The Honorable Sean Quinlan, Chair;  
The Honorable Daniel Holt, Vice Chair;  
and Members of the House Committee on Economic Development

From: Isaac W. Choy, Director  
Department of Taxation

Date: Friday, March 18, 2022  
Time: 10:30 A.M.  
Place: Via Video Conference, State Capitol

**Re: S.B. 2379, S.D. 2, Relating to the Special Enforcement Section**

The Department of Taxation (Department) strongly supports S.B. 2379, S.D. 2, and offers the following comments for the committee's consideration.

S.B. 2379, S.D. 2, amends sections 231-81 and 231-82, Hawaii Revised Statutes (HRS), to expand and clarify the authority of the Department's Special Enforcement Section (SES), which is charged with carrying out civil tax enforcement as authorized by the Director of Taxation. The measure authorizes SES to examine any sector of Hawaii's economy and initiate civil investigations in order to ensure all taxpayers pay their fair share of taxes, and to prevent tax non-compliance through enforcement, education, and deterrence. It also empowers SES to refer cases dealing with any segment of the economy to appropriate auditors within the Department. The measure is effective upon approval.

The Department notes that the Committees on Ways and Means and Judiciary amended the previous version of this measure to replace references to specific audit branches of the Department with a reference to "appropriate auditors" within the Department, to accommodate administrative changes within the Department. The Department appreciates this change and requests that it remain intact.

Clearly delineating and codifying the SES' legal authority would greatly help the Department's efforts to ensure compliance with state tax laws and promote fairness and transparency for Hawaii's taxpayers. The Department is in strong support of this bill and is able to implement the measure as drafted.

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

# TAX FOUNDATION OF HAWAII

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SUBJECT: ADMINISTRATION, Powers of Special Enforcement Section

BILL NUMBER: SB 2379 SD 2

INTRODUCED BY: Senate Committees on Ways & Means and Judiciary

EXECUTIVE SUMMARY: Authorizes the Special Enforcement Section of the Department of Taxation to examine any sector of Hawaii's economy, initiate civil investigations, and refer and recommend cases or examinations of segments of the economy to the auditors within the Department for auditing. We see no need for this bill because the Department can already do these things and the Special Enforcement Section is part of the Department.

SYNOPSIS: Amends section 231-81, HRS, to add that the special enforcement section may examine any sector of Hawaii's economy and initiate civil investigations in order to ensure all taxpayers pay their fair share of taxes, and through enforcement, education, and deterrence prevent non-compliance with Hawaii's tax laws.

Amends section 231-82, HRS, to allow the special enforcement section to refer and recommend cases or examination of any segment of the economy to the office audit and field audit branches of the department of taxation for auditing. Repeals the priority given regarding the cash economy.

EFFECTIVE DATE: Upon Approval

STAFF COMMENTS: In our view, the “added powers” given to the special enforcement section by this bill are no different from the powers of the Department generally. It should be remembered that the Department is the dog and the special enforcement section is an appendage, like a tail. The dog wags the tail, not the other way around.

We fail to see the necessity for a bill such as this.

Digested: 3/16/2022