

Honolulu, Hawaii

FEB 09 , 2022

RE: H.B. No. 2177
H.D. 1

Honorable Scott K. Saiki
Speaker, House of Representatives
Thirty-First State Legislature
Regular Session of 2022
State of Hawaii

Sir:

Your Committee on Economic Development, to which was referred
H.B. No. 2177 entitled:

"A BILL FOR AN ACT RELATING TO STATE TAX ADMINISTRATION,"

begs leave to report as follows:

The purpose of this measure is to:

- (1) Expand the Department of Taxation's authority to require electronic filings;
- (2) Require certain tax return preparers to electronically file returns;
- (3) Repeal language that authorized the Director of Taxation to require electronic funds transfer or electronic filing if the federal government required a person to do so;
- (4) Remove the timeliness requirement of the electronic funds transfer penalty;
- (5) Remove the authority of the Department of Taxation to charge for certified copies of tax clearances;
- (6) Clarify tax clearances for liquor license holders;



- (7) Increase the aggregate cap on late filing penalties;
- (8) Create an additional penalty category for late filing for certain informational returns where no tax is due;
- (9) Clarify the interest calculations for taxes paid pending appeal; and
- (10) Specify that a partnership, estate, or trust is liable for the required withholding from a nonresident taxpayer's distributive share of income.

Your Committee received testimony in support of this measure from the Department of Taxation. Your Committee received testimony in opposition to this measure from two individuals. Your Committee received comments on this measure from the Tax Foundation of Hawaii.


Your Committee finds that various sections of the state tax administration law are antiquated and need to be updated to ensure that the Department of Taxation can efficiently and effectively carry out its duties. This measure will increase tax compliance and streamline administrative processes, thereby providing taxpayers more clarity while minimizing their exposure to unexpected penalties.

Your Committee has amended this measure by making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Economic Development that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2177, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2177, H.D. 1, and be referred to your Committee on Consumer Protection & Commerce.



Respectfully submitted on
behalf of the members of the
Committee on Economic
Development,



SEAN QUINLAN, Chair

State of Hawaii
House of Representatives
The Thirty-first Legislature

HSCR118-22

Record of Votes of the Committee on Economic Development

Bill/Resolution No.: HB 2177	Committee Referral: ECD, CPC, FIN	Date: 2/4/22		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <input type="checkbox"/> Pass, unamended (as is) <input checked="" type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
ECD Members	Ayes	Ayes (WR)	Nays	Excused
1. QUINLAN, Sean (C)	✓			
2. HOLT, Daniel (VC)	✓			
3. BELATTI, Della Au	✓			
4. KOBAYASHI, Dale T.	✓			
5. ONISHI, Richard H.K.	✓			
6. SAYAMA, Jackson D.	✓			
7. TAKAYAMA, Gregg	✓			
8. OKIMOTO, Val		✓		
TOTAL (8)	7	1	0	0
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. <div style="text-align: center; font-size: 0.8em;">committee acronym(s)</div>				
Vice Chair's or designee's signature: [Signature]				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO				