

Honolulu, Hawaii
FEB 17 , 2022

RE: H.B. No. 2177
H.D. 2

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

Sir:

Your Committee on Consumer Protection & Commerce, to which was referred H.B. No. 2177, H.D. 1, 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 one individual. Your Committee received comments on this measure from the Tax Foundation of Hawaii.

Your Committee finds that updates to various sections of the state tax code will allow the Department of Taxation to more efficiently and effectively administer its provisions. By providing taxpayers greater clarity, this measure will also increase tax compliance, streamline administrative processes, and lower the risk that taxpayers may incur unexpected penalties.

However, your Committee has heard the concerns raised in testimony regarding the significant increase in penalties proposed by this measure for failure to electronically file or late filing of tax returns and late payment of taxes owed. Your Committee shares these concerns, particularly the impact these provisions may have on small filers and taxpayers who may have made an inadvertent mistake.

Your Committee has amended this measure by:

- (1) Changing the effective date to January 1, 2050, to encourage further discussion; and
- (2) 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 Consumer Protection & Commerce that is attached to



this report, your Committee is in accord with the intent and purpose of H.B. No. 2177, H.D. 1, as amended herein, and recommends that it be referred to your Committee on Finance in the form attached hereto as H.B. No. 2177, H.D. 2.

Respectfully submitted on
behalf of the members of the
Committee on Consumer
Protection & Commerce,



AARON LING JOHANSON, Chair



Record of Votes of the Committee on Consumer Protection & Commerce

Bill/Resolution No.: HB 2177, HD 1	Committee Referral: ECD, CPC, FIN	Date: 2/11/22		
<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)				
CPC Members	Ayes	Ayes (WR)	Nays	Excused
1. JOHANSON, Aaron Ling (C)	✓			
2. KITAGAWA, Lisa (VC)	✓			
3. AQUINO, Henry J.C.	✓			
4. HAR, Sharon E.	✓			
5. HASHEM, Mark J.	✓			
6. KONG, Sam Satoru	✓			
7. MIZUNO, John M.	✓			
8. MORIKAWA, Dee				✓
9. ONISHI, Richard H.K.	✓			
10. TARNAS, David A.	✓			
11. MATSUMOTO, Lauren	✓			
TOTAL (11)	10	0	0	1
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. <small>committee acronym(s)</small>				
Vice Chair's or designee's signature: <u><i>Lauren Matsumoto</i></u>				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO				