

EXECUTIVE CHAMBERS

HONOLULU

July 8, 2005

STATEMENT OF OBJECTIONS TO SENATE BILL NO. 1685

Honorable Members
Twenty-Third Legislature
State of Hawaii

Pursuant to Section 16 of Article III of the Constitution of the State of Hawaii, I am returning herewith, without my approval, Senate Bill No. 1685, entitled "A Bill for an Act Relating to Tax."

The purpose of this bill is to authorize the disclosure of income and general excise tax returns and tax return information to the counties for purposes of the administration of tax laws and to, in turn, permit the counties to share information relating to the administration of real property taxes with any duly accredited official of the State for tax purposes.

This bill is objectionable because it provides insufficient protection for confidential tax returns and tax information once disclosed to the counties. Although the bill provides that tax returns and return information may be provided to the counties for tax administration purposes only, there is no express prohibition on the counties re-disclosure of this information and there are no penalties, civil or criminal, for unauthorized disclosure.

Statutes that provide for the confidentiality of taxpayer's tax returns and tax information promote a vital governmental interest in ensuring the taxpayers' full and complete reporting of their income to state taxing authorities. Strict confidentiality is accorded to tax return information as a quid pro quo for taxpayers' voluntary compliance with tax laws in order to ensure that taxpayers fully and voluntarily report all income and pay all taxes due. Without adequate protections to ensure that state taxpayer data will be used solely for the

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purposes of the administration of county real property tax laws, taxpayers may be deterred from full and complete reporting and the State may be exposed to a potential liability for breach of its confidentiality responsibilities in regard to this information.

Although this bill contains provisions to permit the counties to share information relating to the administration of real property taxes with any duly accredited official of the State for tax purposes, that part of the bill is unnecessary. County real property tax records are already open to public inspection under section 92F-12(a)(5), Hawaii Revised Statutes, and are already available for state tax purposes.

For the foregoing reasons, I am returning Senate Bill No. 1685 without my approval.

Respectfully,

LINDA LINGLE
Governor of Hawaii