

EXECUTIVE CHAMBERS

HONOLULU

July 8, 2008

STATEMENT OF OBJECTIONS TO HOUSE BILL NO. 1412

Honorable Members  
Twenty-Fourth 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, House Bill No. 1412, entitled "A Bill for an Act Relating to the Department of Taxation's Benefits-Funded Revenue-Generating Computer Initiatives."

The purpose of this bill is to require the Department of Taxation to enter into a "benefits-funded" contract with a vendor to increase tax collections, to further automate tax collections, and to require electronic filing of tax returns.

While the general objectives in this measure are laudable, the bill is objectionable because it would set questionable, unrealistic, and inappropriate parameters under which the department would have to implement these programs.

The bill fails to provide sufficient time for the Department of Taxation to execute performance-based contracts by artificially establishing an October 1, 2008 deadline to do so. It is not clear whether the contracts must be fully performed by this deadline or simply fully signed by the Department and the contractor, but if it is the latter, then the bill's October 1, 2008 deadline does not allow sufficient time to go through the State's legally mandated, established procurement process.

Also, it is not clear whether the other improvements and operational efficiencies to be achieved by the Department of Taxation under the bill must also be fully performed by October 1, 2008.

Section 12 of the bill appropriates \$2,900,000 out of the general revenues for fiscal year 2008-2009 to be deposited in the new Integrated Tax Services and Management Special Fund and section 13 of the bill appropriates \$2,900,000 out of that special fund to be used for the purposes of that new special fund. However, section 14 of the bill requires the Department of Taxation to repay the \$2,900,000 appropriated from the general revenues for fiscal year 2008-2009 no later than June 30, 2009. There is no appropriation of \$2,900,000 out of that special fund or from other moneys that can be used to repay the general fund for the original \$2,900,000 appropriated out of general revenues.

The Administration is pleased with the excellent work the Department of Taxation has undertaken to implement more effective tax collections and ensure aggressive collection of delinquent taxes. This bill would divert important department resources to a project that has not been realistically defined in this legislation and could adversely impact the current efforts of the State Tax Department.

For the foregoing reasons, I am returning House Bill No. 1412 without my approval.

Respectfully,



LINDA LINGLE  
Governor of Hawaii