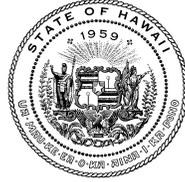


NEIL ABERCROMBIE  
GOVERNOR

SHAN TSUTSUI  
LT. GOVERNOR



**LATE**

FREDERICK D. PABLO  
DIRECTOR OF TAXATION

JOSHUA WISCH  
DEPUTY DIRECTOR

STATE OF HAWAII  
**DEPARTMENT OF TAXATION**  
P.O. BOX 259  
HONOLULU, HAWAII 96809  
PHONE NO: (808) 587-1530  
FAX NO: (808) 587-1584

To: The Honorable David Y. Ige, Chair  
and Members of the Senate Committee on Ways and Means

Date: Wednesday, January 30, 2013  
Time: 9:00 a.m.  
Place: Conference Room 211, State Capitol

From: Frederick D. Pablo, Director  
Department of Taxation

Re: S.B. No. 1197 Relating to the Department of Taxation Special Enforcement Section

The Department of Taxation (Department) strongly supports S.B.1197 and provides the following information and comments for your consideration.

S.B. 1197 will aid the Department in its mission to enforce the State's tax laws by removing the sunset date on the Department's Special Enforcement Section and the State's Cash Economy Enforcement laws.

The Special Enforcement Section is a valuable enforcement and education tool for the Department. Through its efforts, the section has generated almost \$1,000,000 in taxes with a reduced staffing level of three employees. More importantly, the staff has educated over 2,500 cash-based businesses about their tax obligations and the requirement that all taxpayers should pay their fair share of taxes. This is especially important in a state which is mostly composed of small businesses, as many small businesses start off as a cash-based business.

The staff has brought over 150 taxpayers into tax compliance through investigation and educational efforts. Many of these taxpayers have been identified for investigation from site visits and public complaints. An additional 500 taxpayers have been identified as non-filers who are in need of investigation to get them into compliance.

In addition to promoting tax education among the small businesses, the section has helped to identify other issues and cases for enforcement by the Department. The continued activity of the Special Enforcement Section will further educate taxpayers on their responsibilities under the law and will increase taxes collected by the Department.

Thank you for the opportunity to provide comments.