

**DEPARTMENT OF TAXATION'S
ANNUAL REPORT AS REQUIRED BY ACT 177, SLH 1997
(AS AMENDED BY ACT 44, SLH 2001)**

Act 177, SLH 1997, effective June 16, 1997, relates to payments to the State by Electronic Funds Transfer (EFT). This Act provides that the Department submit an annual report on the number of taxpayers who were assessed the two percent penalty, pursuant to section 231-9.9(c), HRS, the amount of each assessment, and the total amount collected. Act 44, SLH 2001, repealed the two percent penalty provision for taxpayers who elect to participate in the EFT program and fail to remit their taxes by an approved EF method on or before the date the taxes are due. Act 44, SLH 2001, became effective on April 26, 2001.

The Department mailed letters to taxpayers making payments by EFT and/or required to make payments by EFT on August 29, 1997. The letters specified the specific tax type that the provisions of Act 177, SLH 1997 affected. The two percent penalty for non-payment of taxes by EFT was not assessed until one month had elapsed to provide taxpayers an opportunity to register in the EFT program and thus avoid the penalty.

Upon implementation of the initial phase of the Department's new tax system, a problem was detected whereby the two percent penalty was being deleted from the taxpayers' accounts and not being billed. The problem has been corrected and the billing and collecting of the two percent penalty has resumed.

	1997	1998	1999	2000	2001	2002
The number of taxpayers who were assessed the two percent penalty pursuant to section 231-9.9(c):	499	118	0	74	128	113
The amounts of each assessment:						
(AVERAGE)	\$517.00	\$505.80	\$0.00	\$546.73	\$390.62	\$297.00
(TOTAL)	\$257,982.88	\$59,683.81	\$0.00	\$40,457.75	\$50,000.00	\$33,560.58
The total amount collected for the previous year:	N/A	\$96,201.00	Not Available	\$2,509.95	\$39,000.00	\$21,596.54