Hearing March 11, 2008 ~~LATE~~ **TESTIMONY**
Testimony on SB 711
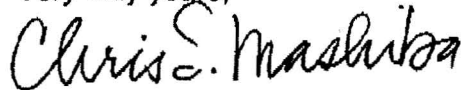(Relating to Taxation)

Chair Waters, Vice-Chair Oshiro, members of the Committee:

My name is Chris Mashiba and I am a tax partner at the Honolulu law firm Cades Schutte LLP. I support SB 711 for the following reasons:

(1) Hawaii's statute of limitations on collections of delinquent taxes should be set at 10 years, which is consistent with the federal income tax laws. Currently Hawaii has no statute of limitations on collections. This means that the Department of Taxation has unlimited time to pursue a taxpayer to collect a tax. 10 years from the date of assessment, which is the federal government's statute of limitations on collections, should be enough time for the Department to act and collect delinquent taxes, and would ensure some measure of urgency in collecting delinquent taxes. Taxpayers would also be assured that they can have a fresh start after a period of time.

(2) The three-year statute of limitations on assessment of the GET should run from the filing of the earlier of the periodic return or the annual return and not just the annual return (current law). Time and again taxpayers who have filed their periodic returns (monthly, quarterly, semiannually) on time with full payment of GET owed for the year inadvertently do not file the annual reconciliation return that covers the same period. Under current law, the 3 year statute of limitations stays open forever so long as the annual return is not filed. This is unfair to Hawaii taxpayers because the GET audits may begin well after 3 years from filing a periodic return at time when the taxpayers' records and supporting documents may no longer be available. This bill corrects that inequity by requiring that the 3-year statute of limitations starts to run from the filing of each periodic return or the annual return, whichever is earlier.

Very truly yours,

Chris S. Mashiba, ESQ

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