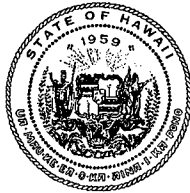


SB 1449

LINDA LINGLE
GOVERNOR

JAMES R. AIONA, JR.
LT. GOVERNOR



LATE

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**SENATE COMMITTEE ON WAYS & MEANS
TESTIMONY REGARDING SB 1449 SD 1
RELATING TO GENERAL EXCISE TAX**

TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)

DATE: MARCH 4, 2009

TIME: 9:30AM

ROOM: 211

This measure modifies the current periodic payment structure for purposes of the general excise tax (GET).

The Department of Taxation (Department) **provides the following comments.**

THE DEPARTMENT BELIEVES THAT THIS MEASURE CAN BE ACCOMPLISHED SUBSTANTIALLY THROUGH ADMINISTRATIVE CHANGES—The Department supports the intent of this measure, which is to modify the payment and filing obligations of taxpayers for GET purposes. Under current GET law, large taxpayers must file a monthly GET return and remit taxes. In addition, these taxpayers must file an annual reconciliation return taking into account any adjustments and making final payment for the year. This measure would amend the current structure to allow for a simple voucher estimated payment on the same basis as before, with the final reconciliation return being the only return for GET purposes.

The Department believes that it can administratively accomplish the purpose of this measure. The Department supports amending current filing requirements by allowing the periodic payment of GET taxes on a short-form, voucher like payment remitted under the current scheduling; coupled with one annual reconciliation full return. The Department is currently exploring the ability to accomplish the substance of this measure without statutory modifications. The Department is also exploring other administrative means to accelerate the cash flow.

The Department prefers administratively accomplishing this measure due to the potentially extensive computer and forms-related costs that could occur. Seeing how the computer is programmed to administer current law, the computer changes could be minimized if the Department were able to administratively provide for a short-form, voucher like return with one annual reconciliation return.

ADVANCING DUE DATE TO THE FIFTEENTH—The Department supports advancing the filing and payment deadline to the 15th. This will result in a financial accounting one-time revenue gain. The Department supports this gain. However, the Department is concerned with the impact advancing the date will have on tax administration. Changing the due date with such short notice will impact taxpayers, the Department's forms, as well as the Department's computer. These impacts will be costly to the Department and to taxpayers.

REVENUE GAIN—This measure will result in a one-time revenue gain of \$40 million in FY 2011.