

LATE TESTIMONY

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HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE TESTIMONY REGARDING HB 1906 RELATING TO TAXATION

WRITTEN TESTIMONY ONLY

TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)
DATE: JANUARY 25, 2010
TIME: 2:00PM
ROOM: 325

This bill requires any person with a vocational license administered by the Department of Commerce & Consumer Affairs to first obtain a tax clearance from the Department of Taxation.

The Department opposes this measure because of its administrative burdens without commensurate resources.

PURPOSE OF TAX CLEARANCE IS TO ENSURE REVENUE STREAM—The Department appreciates the intended purpose of this measure, which is to require a tax clearance of licensed professionals, ensuring compliance with tax obligations, before the issuance of a professional license. There are practical limitations on tax clearances, including the fact that the Department can only confirm tax compliance to the extent a taxpayer has accurately reported the taxes due. There is no independent check of the validity of the data on a return. For example, if a taxpayer says they owe \$10 in tax and the Department's records confirm that \$10 have been paid, a clearance will be issued, even if the person has intentionally underreported. Though an effective means of ensuring tax compliance in instances where taxpayers accurately report, the tax clearance is not a panacea.

THE DEPARTMENT WILL BE UNABLE TO ADMINISTER THIS REQUIREMENT GIVEN CURRENT RESOURCES—As a practical matter, the Department must oppose this measure because it simply doesn't have the resources to administer the requirement. Issuing a tax clearance is rather labor intensive when the review includes the miscellaneous taxes, which are checked manually. Also, there are 47 professional licenses administered by the DCCA with tens-of-thousands of licensees. The Department would be overwhelmed if every licensee for any given license shows up at the Department's window counters asking for a license. Moreover, mail-in clearances can take several weeks if not longer. Further, given the current budget situation

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Department of Taxation Testimony

HB 1906

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throughout the departments, the Department too has been subject to cuts in funding. The Department cannot undertake a program such as this without considerable dedicated resources, which could include additional staff positions and costly computer enhancements to make tax clearances faster or more efficient. These costs would require an appropriation that is well outside the Executive Budget priorities for this legislative session.



The Voice of Small Business®

Before the House Committee on Consumer Protection & Commerce

DATE: January 25, 2010

TIME: 2:00 p.m.

PLACE: Conference Room 325

Re: HB1906 Relating to Taxation

Testimony of Melissa Pavlicek for NFIB Hawaii

We are testifying on behalf of the National Federation of Independent Business (NFIB) regarding House Bill 1906.

HB 1906 would require a tax clearance to renew any professional license. While we support the intent of this measure, we are concerned that a licensee who has an agreed-upon installment payment plan with the Department of Taxation, and who is current and compliant under that plan, will be unable to obtain a tax clearance certificate.

We also want to ensure that a business with a genuine good-faith dispute with the Department of Taxation (e.g., a case pending in the Tax Appeal Court or before the Board of Review) is not precluded from renewing while that case is pending.

NFIB is the largest advocacy organization representing small and independent businesses in Washington, D.C. and all 50 state capitols, with more than 1,000 members in Hawaii and 600,000 members nationally. NFIB members are a diverse group consisting of high-tech manufacturers, retailers, farmers, professional service providers and many more.

We welcome the opportunity to engage with legislators on this and other issues during this session.

RELATING TO TAXATION

Submitted by the Hawaii Automobile Dealers Association
Hawaii's franchised new car dealers
to the House Committee on Consumer Protection and Commerce
for the hearing 2 p.m. Monday, January 25, 2010
Conference Room 325, Hawaii State Capitol

Chair Herkes, vice chair Wakai, and members of the committee:

If one is fishing to feed one's family....caution should be exercised when considering taking away one's license to fish for a living.

The same goes for taking away professional and vocational licenses.

Businesses are doing all possible to KEEP people employed.

With that said, Hawaii's new car dealers STRONGLY SUPPORT measures insuring that all taxes owed are properly collected. So our first inclination was to support this measure, but upon closer look, we feel that without careful amendment, the bill will actually HAMPER collection of more taxes.

Sales people at auto dealerships are required to hold and renew a vocational license issued through DCCA.

This bill seeks to prohibit the issuance or re-issuance of the motor vehicle sales person's license unless all tax returns due have been filed and all taxes, penalties, or interest owed by the applicant have been paid.

This, however, does not take into account a sales person who may have gotten behind on taxes and has obtained a monthly payment plan from the Tax Department.

This does not take into account a motor vehicle sales person who is a joint-tax filer along --with a spouse, for example--whose spouse may have had a jewelry business that was behind on paying its gross excise tax payment. The sales person would be penalized with no work in that vocational field (auto sales) because of a spouse's problem.

HADA respectfully requests deferral of this measure and reconsideration to include an amendment to address all concerns.

Respectfully submitted,

David H. Rolf

Hawaii Automobile Dealers Assoc

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