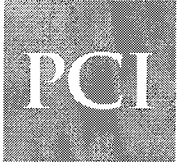


HB 2600

Testimony



**Property Casualty Insurers
Association of America**

Shaping the Future of American Insurance

1415 L Street, Suite 670, Sacramento, CA 95814-3972

To: The Honorable Donna Mercado Kim, Chair
Senate Ways & Means Committee

From: Samuel Sorich, Vice President

Re: **HB 2600 – Tax Administration; Tax Due Dates**
PCI Position: Oppose

Date: Tuesday, March 16, 2010
10:00 a.m.; Conference Room 211

Aloha Chairwoman Kim and Committee Members:

The Property Casualty Insurers Association of Americas (PCI) is opposed to HB 2600 because the monthly payment requirements in Section 10 and 11 of the bill would increase the cost of insurance.

States generally require the payment of insurance premium taxes on a quarterly basis. Insurers have systems in place to comply with this quarterly payment requirement. HB 2600 would force insurers to institute special systems for the monthly payment of premium taxes in Hawaii. These new systems will result in higher insurance costs that will ultimately be borne by Hawaii insurance consumers. PCI submits that the potential financial benefits that Sections 10 and 11 may provide to the State does not justify the bill's increased insurance costs to Hawaii's consumers.

PCI asks the Committee to reject Sections 10 and 11 of HB 2600.

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: TRANSIENT ACCOMMODATION, USE, FUEL, LIQUOR, TOBACCO, TOUR VEHICLE SURCHARGE; INSURANCE PREMIUMS, Amend filing date

BILL NUMBER: SB 2753; HB 2600 (Identical)

INTRODUCED BY: SB by Hanabusa by request; HB by Say by request

BRIEF SUMMARY: Amends HRS chapters 237D, 238, 243, 244D, 245 and 251 to require annual, monthly, quarterly, or semiannual returns or other return that is due on the last day of the month to be filed by the 20th day of the month.

Amends HRS section 431:7-201 to provide that the quarterly tax statements shall be filed monthly on the 20th day of the month instead of the last day of the month.

EFFECTIVE DATE: July 1, 2010

STAFF COMMENTS: This is an administration measure submitted by the department of taxation TAX-21(10). The legislature by Act 196, SLH 2009, accelerated filing and payment of general excise taxes to the 20th day rather than the last day of the month following the business activity. This measure proposes the same transition of filing dates to the 20th day rather than the last day of the month for the filing of transient accommodations, use, fuel, liquor, cigarette, rental motor vehicle and tour vehicle surcharge, and insurance premiums taxes. While the proposed measure will address the "weekend" effect where the last day of the following month falls on a weekend, pushing collections of the tax into the next month as the mail is opened on the following Monday which might be the first day of the next month, consideration should be made to also amend other filing dates throughout title 14 for consistency, i.e., public service company, etc.

It should be remembered that a similar proposal was made in the early 1990's to accelerate the day the monthly general excise tax return was due. That proposal elicited cries of foul with many larger businesses protesting that they could not meet the earlier deadline as their records needed to be reconciled. Perhaps technology has addressed those concerns, but in any case, lawmakers should check with the business community to see if this earlier deadline can be met. Many taxpayers who are subject to the general excise tax should have had at least a month's experience with the earlier due date of the return and should be able to share the challenges they have encountered. Several taxpayers who file on behalf of absentee owners of transient rentals report difficulty collecting the rental information on a timely basis as they may be dealing with owners of the rentals who are not residents.

Finally, one has to question what effect the department going paperless, unless otherwise requested, has had on the timely filing of returns. Several taxpayers, especially small businesses, have reported requesting paper forms to file their returns and then received none at all. Having to file a paper form is a visible reminder that the tax is due. Given that the collection of revenue is critical to continue the operations of government, this is one area where no dime should be spared.

Digested 2/9/10