
A BILL FOR AN ACT

RELATING TO TAXATION.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 **PART I**

2 SECTION 1. The legislature finds that allowing all tax
3 documents to be filed electronically will provide benefits to
4 both the taxpayer and the State. Electronic filing of all
5 documents will allow taxpayers, particularly businesses, to
6 accomplish the filing in a timely and cost-efficient manner.
7 For the State, electronic filing will decrease administrative
8 costs and make more efficient use of human and fiscal department
9 resources for more important issues, such as delinquent tax
10 collections and enforcement.

11 The legislature further finds that amendments made by Act
12 196, Session Laws of Hawaii 2009, to advance payment of the
13 general excise tax from the last day of the month to the
14 twentieth day of the month have had a devastating impact on
15 Hawaii businesses, particularly small businesses. While Act 196
16 achieved one of its purposes - to generate a one-time windfall
17 of revenue to the State - the long-term effect has been to



1 hinder Hawaii's economic recovery by placing an undue burden on
2 the business sector.

3 In addition, in 2010, the senate committee on economic
4 development and technology and the house committee on economic
5 revitalization, business, and military affairs convened an
6 informal small business discussion group to address the most
7 critical issues facing the small business sectors within
8 Hawaii's economy. Representatives from The Chamber of Commerce
9 of Hawaii, construction and trades industries, community
10 nonprofits, the agricultural sector, food and restaurant
11 industries, retailing, the science and technology sector, the
12 commercial transportation industry, and interested stakeholders
13 developed a package of bills that addresses the most pressing
14 problems facing Hawaii's small business community.

15 The purpose of this Act is to support the findings of the
16 small business discussion group and its recommendations to:

- 17 (1) Require the department of taxation to establish a
18 system to allow taxpayers to file all tax returns,
19 applications, reports, and other documents
20 electronically, telephonically, or by optical means;
- 21 (2) Provide for electronic payment of general excise taxes
22 for businesses; and



1 (3) Reestablish the filing and payment deadline of general
2 excise taxes, including but not limited to quarterly
3 filing requirements and the payment of periodic
4 insurance premium taxes, to the last day of the month.

5 PART II

6 SECTION 2. Section 231-8.5, Hawaii Revised Statutes, is
7 amended to read as follows:

8 "[+]§231-8.5[+] **Electronic filing of tax returns.** (a)

9 The department [~~may allow filing by electronic, telephonic, or~~
10 ~~optical means of any tax return, application, report, or other~~
11 ~~document]~~ shall establish a system to allow taxpayers to file
12 all tax returns, applications, reports, and other documents
13 required under [the provisions of] title 14 [administered by the
14 department.] electronically, telephonically, or by optical
15 means; provided that no cost shall be incurred by the taxpayer
16 for the electronic filing of tax returns. The date of filing
17 shall be the date the tax return, application, report, or other
18 document is transmitted to the department in a form and manner
19 prescribed by departmental rules adopted pursuant to chapter 91.
20 The department may determine alternative methods for the
21 signing, subscribing, or verifying of a tax return, application,



1 report, or other document that shall have the same validity and
2 consequences as the actual signing by the taxpayer.

3 (b) A filing under this section shall be treated in the
4 same manner as a filing subject to the penalties under section
5 231-39."

6 SECTION 3. Section 231-9.9, Hawaii Revised Statutes, is
7 amended to read as follows:

8 **"§231-9.9 Filing and payment of taxes by electronic funds**
9 **transfer.** (a) The director of taxation is authorized to
10 require every person whose tax liability for any one taxable
11 year exceeds [~~\$100,000~~] \$ _____ and who files a tax return
12 for any tax, including consolidated filers, to remit taxes by
13 one of the means of electronic funds transfer approved by the
14 department [+] or through the State's internet portal; provided
15 that for withholding taxes under section 235-62, electronic
16 funds transfers shall apply to annual tax liabilities that
17 exceed \$40,000. Notwithstanding the tax liability thresholds in
18 this subsection, the director of taxation is authorized to
19 require any person who is required to electronically file a
20 federal return or electronically remit any federal taxes to the
21 federal government, to electronically file a state return and
22 electronically remit any state taxes under title 14 to the



1 department. The director is authorized to grant an exemption to
2 the electronic filing and payment requirements for good cause.

3 (b) Any person who files a tax return for any tax and is
4 not required by subsection (a) to remit taxes by means of
5 electronic funds transfer or through the State's internet portal
6 may elect to remit taxes by one of the means of electronic funds
7 transfer approved by the department with the approval of the
8 director of taxation.

9 (c) If a person who is required under subsection (a) to
10 file a return electronically or remit taxes by one of the means
11 of electronic funds transfer approved by the department or
12 through the State's internet portal fails to file electronically
13 or to remit the taxes using an approved method on or before the
14 date prescribed therefor, unless it is shown that the failure is
15 due to reasonable cause and not to neglect, there shall be added
16 to the tax required to be so remitted a penalty of two per cent
17 of the amount of the tax. The penalty under this subsection is
18 in addition to any penalty set forth in section 231-39.

19 (d) No later than twenty days prior to the convening of
20 each regular session, the department shall submit a report to
21 the legislature containing:



- 1 (1) The number of taxpayers who were assessed the two per
- 2 cent penalty pursuant to subsection (c);
- 3 (2) The amounts of each assessment; and
- 4 (3) The total amount of assessments collected for the
- 5 previous year.

6 (e) No costs shall be incurred by the taxpayer for the
7 electronic filing of tax returns or remittance of taxes under
8 this section or any other section."

9 **PART III**

10 SECTION 4. The purpose of this part is to reestablish the
11 filing and payment deadline of various taxes, including but not
12 limited to quarterly filing requirements and the payment of
13 periodic insurance premium taxes, to the last day of the month.

14 SECTION 5. Act 22, Session Laws of Hawaii 2010, is
15 repealed.

16 **PART IV**

17 SECTION 6. Statutory material to be repealed is bracketed
18 and stricken. New statutory material is underscored.

19 SECTION 7. This Act shall take effect on July 1, 2050.

20



Report Title:

Taxation; Electronic Filing; Filing Deadlines

Description:

Requires the department of taxation to establish a system to allow taxpayers to file all tax returns, applications, reports, and other documents electronically, telephonically, or by optical means, with no additional cost to the taxpayer; lowers the threshold for any taxpayer required to remit taxes by one of the means of electronic funds transfer from \$100,000 to an unspecified amount in tax liability; reestablishes the filing and payment deadline of various taxes, including but not limited to quarterly filing requirements and the payment of periodic insurance premium taxes, to the last day of the month. Effective 7/1/2050. (SD1)

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