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DEPARTMENT OF TAXATION
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FREDERICK D. PABLO
DIRECTOR OF TAXATION

RANDOLF L. M. BALDEMOR
DEPUTY DIRECTOR

HOUSE COMMITTEE ON FINANCE

TESTIMONY OF THE DEPARTMENT OF TAXATION REGARDING HB 1300 HD 1 RELATING TO TAXATION

TESTIFIER: FREDERICK D. PABLO, DIRECTOR OF TAXATION (OR
DESIGNEE)
COMMITTEE: FIN
DATE: MARCH 1, 2011
TIME: 11am
POSITION: SUPPORT

This measure requires the Department of Taxation to implement across-the-board electronic filing by July 1, 2013, at no cost to taxpayers. This measure also amends the due date for the general excise tax, the transient accommodations tax, the use tax, the fuel tax, the liquor tax, the tobacco tax, the rental motor vehicle surcharge tax and the conveyance tax from the 20th day of the month to the last day of the month.

The Department of Taxation (Department) supports this measure.

The Department strongly supports the message this measure sends, which is to allow all taxpayers to manage their tax obligations electronically. The Department agrees that wholesale electronic filing is an attainable goal, and one which will be given greater priority under the current administration.

The Department also greatly appreciates the previous committee moving the effective date of this bill to 2013, allowing the Department time to begin its efforts to add across-the-board electronic filing as part of its overall modernization initiatives.

The Department also supports moving the tax deadlines from the 20th day of the month to the last day of the month. In addition, the Department recommends that the effective date for moving the due dates be January 1, 2012.

TAXBILLSERVICE

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TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: ADMINISTRATION, GENERAL EXCISE, TRANSIENT ACCOMMODATION, USE, FUEL, LIQUOR, TOBACCO, TOUR VEHICLE SURCHARGE; INSURANCE PREMIUMS, Amend filing date; filing of tax returns

BILL NUMBER: HB 1300, HD-1

INTRODUCED BY: House Committee on Economic Revitalization and Business

BRIEF SUMMARY: Amends HRS section 231-8.5 to require the department of taxation to establish a system to allow taxpayers to file all required tax returns, applications, reports, and other documents electronically, telephonically, or by optical means at no additional cost to the taxpayer by July 1, 2013.

Amends HRS section 237-30 providing that general excise tax returns be filed by the last day of the month following the period in which the general excise tax liability accrues rather than the 20th day of the month.

Amends HRS chapters 237D, 238, 243, 244D, 245, 251 and 431:7 to require an annual, monthly, quarterly, semiannual return or other return that is due on the 20th day of the month to be filed by the last day of the respective month.

EFFECTIVE DATE: July 1, 2012

STAFF COMMENTS: The legislature by Act 176, SLH 1997, permitted taxpayers to file any tax return, application, report or other document required under Title 14 administered by the department of taxation, by electronic, telephonic, or optical methods. The proposed measure would require the department of taxation, by July 1, 2013, to establish a system to allow taxpayers to file all required tax returns, applications, reports, and other documents electronically, telephonically, or by optical means at no additional cost to the taxpayer. While it would be desirable to require taxpayers to utilize "electronic" means of filing such returns and documents, the system developed by the department of taxation should also be "user friendly" so that taxpayers can easily file electronically as compared to some of the existing electronic filing programs of the federal government.

Act 196, SLH 2009, accelerated the filing and payment of the general excise taxes to the 20th day rather than the last day of the month following the business activity. This was done to create a one-time cash infusion to the state. While it appears that the return to the last day rather than the 20th day of the month will greatly assist taxpayers in filing their general excise tax returns on a timely basis, the adoption of this provision will be welcomed. It should be noted that the last day of the month or the tax period was the day that general excise tax returns were required to be filed since the inception of the general excise tax.

While Act 22, SLH 2010, requires taxpayers subject to sections 237D, 238, 243, 244D, 245, 251 and 431:7 to file annual, monthly, quarterly, or semiannual returns or any other return that is due on the 20th day of the month, this measure provides that the returns shall be filed by the last day of the month. It should be noted that since this measure takes effect on 1/1/12, if adopted, taxpayers should be given ample notice of the change in filing days before this act takes effect to insure compliance.

Digested 2/28/11



**Testimony to the House Committee on Finance
Tuesday, March 01, 2011
11:00 a.m.
Conference Room 308, State Capitol
Agenda #2**

RE: HOUSE BILL NO. 1300 HD1 RELATING TO TAXATION

Chair Oshiro, Vice Chair Lee, and Members of the Committee:

The Chamber of Commerce of Hawaii ("Chamber") supports HB 1300 HD1 relating to Taxation, which is part of the Small Business Caucus Package. We appreciate the committee for scheduling this bill.

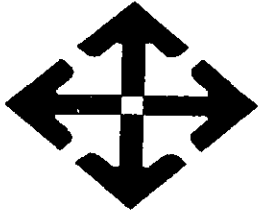
The Chamber is the largest business organization in Hawaii, representing more than 1,100 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of its members, which employ more than 200,000 individuals, to improve the state's economic climate and to foster positive action on issues of common concern.

This measure requires the Department of Taxation to establish a system to allow taxpayers to file all tax returns, applications, reports, and other documents electronically; provided that there is no additional cost to the taxpayer for the electronic filing. The measure also reestablishes the last of the month as the deadline for filing and payment of general excise taxes.

In the 2009 Legislature, the Chamber did not support Act 196 because of the impact it would have had on small businesses. We believed the measure would have essentially amount to a one-time tax increase and create additional administrative burdens for business, which in turn, will impose additional costs.

Businesses are already struggling to stay afloat. Merely keeping up with operating expenses is difficult, especially for small businesses. Therefore, we appreciate the committee for considering a measure that will reestablish the end of the month as the filing deadline as it will remove an unnecessary administrative complexity. Furthermore, we believe electronic filing will make it more efficient for businesses to timely file and pay their taxes.

Thank you for the opportunity to provide testimony.



The Hawaii Business League

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March 1, 2011

Testimony To: House Committee on Finance
Representative Marcus R. Oshiro, Chair

Presented By: Tim Lyons
President

Subject: H.B. 1300, HD 1 – RELATING TO TAXATION

Chair Oshiro and Members of the Committee:

I am Tim Lyons, President of the Hawaii Business League, a small business service organization. We support this bill.

We have had just an incredible number of complaints by small businesses complaining about the new 20th of the month deadline for filing the payment for general excise tax. The problem is that for many small businesses it is the owner who acts as the promoter, the janitor, the bookkeeper and the production line person for many of these businesses. Should they go out of town for a week, it makes it very difficult to get these payments in on time particularly since banks provide their monthly statement at terribly close to the same deadline. Typically you would not want to calculate your GET until you have balanced your checking account.

We also note that we have received a lot of complaints from contractors to say that it is awfully sad that the state cannot pay them for three (3) months, six (6) months or even two (2) years but yet the state wants them to pay their general excise tax ten (10) days earlier than they used to.

Based on the unintended consequences and negative reaction to this law, we would urge this Committee to return the filing deadline to the end of the month.

Thank you.



Representative Marcus Oshiro, Chair
Representative Marilyn Lee, Vice Chair
Committee on Finance
State Capitol, Honolulu, Hawaii 96813

HEARING Tuesday, March 01, 2011
 11:00 am
 Conference Room 308

RE: **HB1300, HD1 Relating to Taxation**

Chair Oshiro, Vice Chair Lee, and Members of the Committee:

Retail Merchants of Hawaii (RMH) is a not-for-profit trade organization representing about 200 members and over 2,000 storefronts, and is committed to supporting the retail industry and business in general in Hawaii.

RMH supports Hb1300, HD1, which requires the Department of Taxation to establish a system to allow taxpayers to file required documents electronically and reestablish the last day of the month as the deadline for filing and payment of GET and various taxes.

We certainly concur that an electronic filing system will improve efficiency and decrease costs both for business and government. The benefits cannot be overstated.

In 2009 while the Legislature was considering SB1461 (Act 196), which accelerated GET filing and payment dates, RMH polled our members for input. From one of RMH's small retailers:

These are challenging times and we should be looking for ways to ease the burdens of small business rather than add to or accelerate the demands placed on a business owner's time. Our business does not have additional resources to apply to new or accelerated requirements.

Reinstating the end-of-month schedule most assuredly will assist businesses more effectively manage their operations and hasten our economic recovery. I'm looking forward to being able to report our success with this measure to my members.

We respectfully request that you pass HB1300, HD1. Thank you for your consideration and for the opportunity to comment on this measure.

Carol Pregill, President

RETAIL MERCHANTS OF HAWAII
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Natalie J. Iwasa, CPA, Inc.
1331 Lunalilo Home Road
Honolulu, HI 96825
808-395-3233

TO: Committee on Finance

HEARING

DATE: Wednesday, March 1, 2011, 11 a.m.

RE: HB 1300, HD1 Relating to Taxation - **SUPPORT**

Aloha Chair Oshiro, Vice Chair Lee and Members of the Committee,

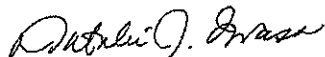
This bill would require the department of taxation to allow taxpayers to file all tax returns and other documents online by July 1, 2013, with no additional cost and return the general excise tax return filing date to the last day of the month. I wholeheartedly support this bill and ask you to pass it.

Currently only a limited number of forms are allowed to be filed online, and if a tax payment is due, the state charges \$1 to file online. If I could file my returns online without an additional fee, I would do so. Currently I file my general excise tax and withholding returns via regular mail. I've noticed it takes three to four weeks for the checks to clear my bank. An added bonus of not charging a fee for online filing is that more businesses will file online, and the state will get the money in the bank faster.

Some of my clients have had a difficult time meeting the general excise tax filing deadline of the 20th of the month. Moving the deadline back to the end of the month allows needed time to complete end-of-month closing procedures in order to be able to file complete and accurate returns.

Please vote "yes" on this bill.

Sincerely,



Natalie Iwasa