

SB 756

EDT



Senator Carol Fukunaga, Chair
Senator Glenn Wakai, Vice Chair
Committee on Economic Development & Technology
State Capitol, Honolulu, Hawaii 96813

HEARING Monday, February 07, 2011
 1:15 pm
 Conference Room 016

RE: SB756 Relating to Taxation

Chair Fukunaga, Vice Chair Wakai, 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 SB756, 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.

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:

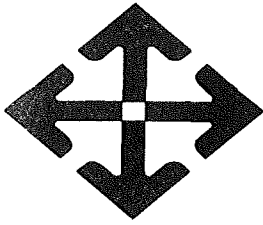
These are challenging times and we should be looking for ways to ease the burdens of small business rather than add to or accelerate the demands placed on a business owner's time. Our business does not have additional resources to apply to new or accelerated requirements.

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 SB756. Thank you for your consideration and for the opportunity to comment on this measure.

Carol Pregill, President

RETAIL MERCHANTS OF HAWAII
1240 Ala Moana Boulevard, Suite 215
Honolulu, HI 96814
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The Hawaii Business League

Century Square 1188 Bishop St., Ste 1003 Honolulu, HI 96813-3304
Phone: (808) 533-6819 ♦ Facsimile: (808) 533-2739

February 7, 2011

Testimony To: Senate Committee on Economic Development and Technology
Senator Carol Fukunaga, Chair

Presented By: Tim Lyons
President

Subject: S.B. 756 – RELATING TO TAXATION

Chair Fukunaga 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.

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

TO: Senator Fukunaga, Chair
Senator Wakai, Vice Chair
Committee on Economic Development and Technology

HEARING

DATE: Monday, February 7, 2011, 1:15 p.m.

RE: SB 756 Relating to Taxation - **SUPPORT**

Aloha Chair Fukunaga, Vice Chair Wakai 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 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

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: ADMINISTRATION, GENERAL EXCISE, Filing of tax returns

BILL NUMBER: SB 756; HB 1300 (Identical)

INTRODUCED BY: SB by Fukunaga, Baker, Chun Oakland, English, Shimabukuro, Tokuda, Wakai, 2 Democrats and 1 Republican; HB by McKelvey

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, 2011.

Amends HRS section 237-30 to provide that general excise tax returns shall 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.

EFFECTIVE DATE: Taxable periods beginning after July 1, 2011

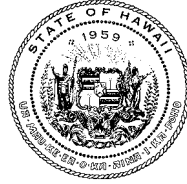
STAFF COMMENTS: The legislature by Act 176, SLH 1997, permitted taxpayers to file any tax return, application, report or other document required under Title 14 administered by the department of taxation, by electronic, telephonic, or optical methods. The proposed measure would require the department of taxation, by July 1, 2011, 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.

Digested 2/4/11

NEIL ABERCROMBIE
GOVERNOR

BRIAN SCHATZ
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
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FREDERICK D. PABLO
INTERIM DIRECTOR OF TAXATION

RANDOLF L. M. BALDEMOR
DEPUTY DIRECTOR

LATE

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT & TECHNOLOGY

TESTIMONY OF THE DEPARTMENT OF TAXATION REGARDING SB 756 RELATING TO TAXATION

TESTIFIER: FREDERICK D. PABLO, INTERIM DIRECTOR OF
TAXATION (OR DESIGNEE)

COMMITTEE: EDT

DATE: FEBRUARY 7, 2011

TIME: 1:15pm

POSITION: SUPPORT

This measure requires the Department of Taxation to implement across-the-board electronic filing by July 1, 2011, at no cost to taxpayers. This measure also amends the due date for the general excise tax from the 20th day of the month to the last day of the month.

The Department of Taxation (Department) **supports** this measure; however **notes additional considerations.**

I. SUPPORT FOR E-FILING INITIATIVES IN GENERAL

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.

CONCERN FOR JULY 1, 2011 DEADLINE—The deadline for electronic filing in this measure is simply unattainable. Electronic filing for all "returns, applications, reports, and other documents" will take years to accomplish.

Any deadline in this measure should allow for several years to attain full electronic filing.

TO ACCOMPLISH THIS MANDATE, RESOURCE MUST BE GIVEN—The Department will be unable to accomplish the goals of this measure without the 100% commitment from the Legislature to fund electronic filing. The Department will need considerable financial resources, as well as human capital to ensure that electronic filing is a viable solution. Though the Department currently has a respectable amount of electronic filing, electronic filing as contemplated by this measure will take substantial efforts that the Legislature must be prepared to support.

CONTINUE TO EXPLORE WITH THE LEGISLATURE—The Department appreciates this measure and will commit to further exploring the wishes of the Legislature, as well as exploring the needs of the Department's customers—the Hawaii taxpayers.

II. SUPPORT INTENT OF MOVING DEADLINE

The Department supports the intent of moving the general excise tax deadline from the 20th day of the month to the last day of the month.

However, the Department recommends that this measure be amended to move all tax due dates from the 20th day of the month to the last day of the month. Last session, the due dates for all remaining miscellaneous taxes were moved from the last day of the month to the 20th day of the month. The Department prefers consistency.

In addition, the Department recommends that the effective date be amended from July 1, 2011 to January 1, 2012.



**Testimony to the Senate Committee on Economic Development and
Technology
Monday, February 7, 2011
1:15 p.m.
Conference Room 016**

LATE

RE: SENATE BILL NO. 756 RELATING TO TAXATION

Chair Fukunaga, Vice Chair Wakai, and members of the committee:

The Chamber of Commerce of Hawaii (“Chamber”) supports SB 756 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.