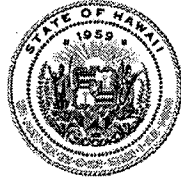


HB 1300

HD2, SD1



NEIL ABERCROMBIE
GOVERNOR

BRIAN SCHATZ
LT. GOVERNOR

STATE OF HAWAII
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS

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KEALI'I S. LOPEZ
DIRECTOR

EVERETT KANESHIGE
DEPUTY DIRECTOR

TO THE SENATE COMMITTEE ON WAYS AND MEANS

TWENTY-SIXTH LEGISLATURE
Regular Session of 2011

Wednesday, March 30, 2011
9:30 a.m.

WRITTEN TESTIMONY ONLY

TESTIMONY ON HOUSE BILL NO. 1300, H.D. 2, S.D. 1 – RELATING TO TAXATION.

TO THE HONORABLE DAVID IGE, CHAIR, AND MEMBERS OF THE COMMITTEE:

My name is Gordon Ito, State Insurance Commissioner ("Commissioner"), testifying on behalf of the Department of Commerce and Consumer Affairs ("Department"). The Department limits its comments to Part III of this version of the bill, which re-establishes the quarterly filing and payment of insurance premium taxes by repealing Act 22, Session Laws of Hawaii 2010 ("Act 22").

The Department supports this version of the bill. Restoring the quarterly filing requirement will lessen the administrative burden on Insurance Division operations and on insurers.

We thank this Committee for the opportunity to present testimony on this matter and ask for your favorable consideration.

TAXBILLSERVICE

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TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: ADMINISTRATION, GENERAL EXCISE, Filing of tax returns

BILL NUMBER: HB 1300, SD-1

INTRODUCED BY: Senate Committee on Economic Development and Technology

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 231-9.9 to lower the tax liability threshold for taxpayers required to remit taxes by electronic funds transfer from \$100,000 to \$_____.

Repeals Act 22, SLH 2010, to reestablish the last day of the month as the deadline for the filing and payment of miscellaneous taxes and the quarterly filing period for insurance premiums taxes.

EFFECTIVE DATE: July 1, 2010

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.

While Act 121, SLH 1995, authorized the department to require taxpayers with tax liability of \$100,000 or more to pay or remit the taxes due by electronic funds transfer, this measure proposes to lower the threshold to \$_____.

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 repeals Act 22 and provides that the returns shall be filed by the last day of the month following the taxable activity.

Digested 3/29/11



**Comments to the Senate Committee on Ways and Means
Wednesday, March 30, 2011 at 9:30 a.m.
Conference Room 211
State Capitol**

RE: HOUSE BILL NO. 1300 HD2 SD1 RELATING TO TAXATION

Chair Ige, Vice Chair Kidani, and Members of the Committee:

The Chamber of Commerce of Hawaii ("Chamber") supports HB 1300 HD2 SD1 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, 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).

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.



Senator David Y. Ige, Chair
Senator Michelle Kidani, Vice Chair
Committee on Ways and Means
State Capitol, Honolulu, Hawaii 96813

HEARING Wednesday, March 30, 2011
 9:30 am
 Conference Room 211

RE: **HB1300, HD2, SD1, 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 HB1300, HD2, SD1, which 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.

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, HD2, SD1. Thank you for your consideration and for the opportunity to comment on this measure.

A handwritten signature in cursive script, appearing to read 'Carol Pregill'.

Carol Pregill, President

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