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**From:** Tina Desuacido [tina500@juno.com]  
**Sent:** Wednesday, February 09, 2011 9:38 AM  
**To:** ERBtestimony  
**Subject:** Tax Foundation Testimony  
**Attachments:** h1300-11.pdf

**TRANSMISSION OF TESTIMONY**

**DATE:** Wednesday, February 9, 2011  
**TO:** House Committee on Economic Revitalization & Business  
**FROM:** Tax Foundation of Hawaii

**Total Pages 1**

**FOR:** Rep. Angus McKelvey, Chair  
**Testifier:** Lowell L. Kalapa, President - Tax Foundation of Hawaii

**(Mr. Kalapa will not appear in person at the hearing.)**

**Date of Hearing - Thursday, February 10, 2011**

**Position: Comments**

**Time of Hearing - 8:00 am**

**HB 1300 - Relating to Taxation (1 page)**

**Number of copies - 4**

**Thank you.**

# 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:** 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

**Testimony to the House Committee on Economic Revitalization & Business  
Thursday, February 10, 2011 at 8:00 a.m.  
Conference Room 312, State Capitol**

**RE: HOUSE BILL NO. 1300 RELATING TO TAXATION**

Chair McKelvey, Vice Chair Choy, and Members of the Committee:

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

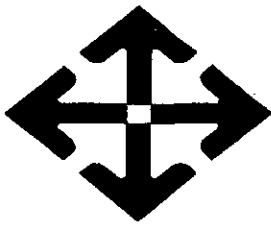
The Chamber is the largest business organization in Hawaii, representing more than 1,100 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the “Voice of Business” in Hawaii, the organization works on behalf of its members, which employ more than 200,000 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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February 10, 2011

Testimony To: House Committee on Economic Revitalization & Business  
Representative Angus L.K. McKelvey, Chair

Presented By: Tim Lyons  
President

Subject: H.B. 1300 – RELATING TO TAXATION

Chair McKelvey 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 20<sup>th</sup> 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.