

**HB 973**

**HD 1**

NEIL ABERCROMBIE  
GOVERNOR

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**DEPARTMENT OF TAXATION**  
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## SENATE COMMITTEE ON WAYS AND MEANS

### TESTIMONY OF THE DEPARTMENT OF TAXATION REGARDING HB 973, HD 1 RELATING TO TAXATION

**TESTIFIER:** **FREDERICK D. PABLO**, DIRECTOR OF TAXATION (OR  
DESIGNEE)  
**COMMITTEE:** WAM  
**DATE:** MARCH 17, 2011  
**TIME:** 9:00AM  
**POSITION:** **OPPOSE REPEAL OF E-FILING REQUIREMENTS**

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This measure repeals Act 196, Session Laws of Hawaii 2009 and Act 22, Session Laws of Hawaii 2010.

The Department opposes the repeal of the electronic filing requirements contained in the bill. One of the top priorities of this Administration is to increase electronic filing of tax returns. Therefore, the Department opposes any repeal of existing electronic filing mandates.

The Department estimates one-time revenue loss of \$18.7 million in FY 2014 due to the timing involved with moving the due dates for filing and payment.

# TAXBILLSERVICE

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

**BILL NUMBER:** HB 973, HD-1

**INTRODUCED BY:** House Committee on Finance

**BRIEF SUMMARY:** Amends HRS section 231-9.9 to repeal the provision requiring taxpayers to file electronically and remit to the state any taxes due under Title 14 if they are required to file a federal return and electronically remit any federal taxes to the federal government.

Amends HRS section 237-30 to provide that monthly general excise tax returns shall be filed by the last day of the month following the month in which the general excise tax liability accrues, rather than the 20th of the month. Quarterly general excise tax returns shall be filed by the last day of the calendar month after the close of each quarter rather than the 20th day of the calendar month. Fiscal year quarterly general excise tax returns shall be filed by the last day of the fourth month, seventh month, and tenth month following the beginning of the fiscal year, and before the last day of the close of a fiscal year. Semiannual general excise tax returns shall be filed by the last day of the calendar month following the close of each six-month period. Fiscal year semiannual general excise tax returns shall be filed by the last day of the seventh month following the beginning of a fiscal year or before the last day of the month following the close of a fiscal year.

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:** Tax years beginning after December 31, 2013

**STAFF COMMENTS:** Act 196, SLH 2009, accelerated the filing and payment of 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 January 1, 2013, if adopted, taxpayers should be given ample notice of the change in filing days before this act takes effect to insure compliance.

Digested 3/14/11



**Testimony to the Senate Committee on Ways and Means  
Thursday, March 17, 2011 at 9:00 a.m.  
Conference Room 211, State Capitol**

**RE: HOUSE BILL NO. 973 HD1 RELATING TO TAXATION**

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

**The Chamber of Commerce of Hawaii** ("The Chamber") **supports** HB 973 HD1 relating to **Taxation**. We appreciate the committee for scheduling this bill.

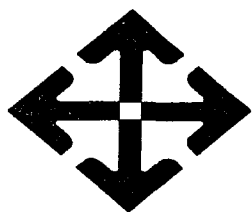
The Chamber is the largest business organization in Hawaii, representing more than 1,100 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of its members, which employ more than 200,000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

HB 973 HD1 repeals the changes that were made to taxation filing dates in Act 196, Session Laws of Hawaii 2009, and Act 22, Session Laws of Hawaii 2010.

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 17, 2011

Testimony To: Senate Committee on Ways and Means  
Senator David Y. Ige, Chair

Presented By: **Tim Lyons**  
President

Subject: H.B. 973, HD 1 - RELATING TO TAXATION

Chair Ige 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.