

# TAXBILLSERVICE

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SUBJECT: ADMINISTRATION, Report of total tax revenue

BILL NUMBER: SB 2298

INTRODUCED BY: Gabbard and 5 Democrats

BRIEF SUMMARY: Amend HRS section 231-3.4 to require the department of taxation to publish a report on the previous tax year's tax revenues by island; provide that the department shall annually report this information to the legislature by March 1 of each year.

EFFECTIVE DATE: Upon approval

STAFF COMMENTS: Currently the department of taxation compiles and reports on tax collections by four tax districts - (1) the city and county of Honolulu, is the first district; (2) the counties of Maui and Kalawao are the second district; (3) the county of Hawaii is the third district; and (4) the county of Kauai is the fourth district.

Since the early 30's, statistical data has been compiled and published according the tax districts for simplicity. While this measure proposes that the department of taxation publish a report by island, it would create another "data set" wherein the data compiled in that format would not be comparable to historical data unless that data is also recompiled by island.

If the intent of this proposal is to determine where economic activity is occurring and therefore "prove" that one island is more deserving of state appropriations than another because it generated more tax revenue than another, it should be remembered that in many cases, when a taxpayer does business in more than one "district," that the taxpayer is required to report that income in the first district or Honolulu. Such is the case with the general excise tax. Not only does this reduce administrative costs, but it also reduces compliance costs for the taxpayer. Thus, to require the reporting of tax collections by island not only increases costs for the tax department, but also increases the overhead costs of taxpayers who must then segregate gross income by island.

While it appears that this measure is proposed to "simplify" the reporting of tax collections, it would appear that a thorough understanding of how the information is currently reported would reveal that this measure is unnecessary.

Digested 2/3/12