

NEIL ABERCROMBIE
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To: The Honorable Clift Tsuji, Chair
and Members of the House Committee on Economic Development and Business

Date: Friday, February 1, 2013
Time: 9:00 a.m.
Place: Conference Room 312, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: H.B. No. 965 Relating to Cash Economy Enforcement

The Department of Taxation (Department) strongly supports H.B. 965, and provides the following information and comments for your consideration. This measure which will aid the Department in its mission to enforce the State's tax laws by amending the requirements under Hawaii Revised Statutes section 231-96, with respect to offering receipts and keeping contemporaneous records, to apply to all taxpayers engaging in business rather than merely taxpayers who conduct more than ten taxable business transactions per day.

The Department has found that taxpayers use the current law as a justification for failing to keep any records of cash-based business transactions per day. Taxpayers state that they have not done ten cash-based transactions and are not required to keep any record, regardless of the number of cash-based transactions in which they may have actually engaged. Also, the records of cash-based businesses tend to not be accurate, due to their lack of record-keeping for the first ten cash-based transactions.

Casual sales are an occasional or isolated sale or transaction involving tangible personal property by a person who is not required to be licensed under chapter 237, Hawaii Revised Statutes, or tangible personal property which is not ordinarily sold in the business of a person who is regularly engaged in business. Casual sales records are not required because the transactions are not subject to General Excise Tax.

Thank you for the opportunity to provide comments.

TAXBILLSERVICE

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SUBJECT: ADMINISTRATION, Cash economy enforcement

BILL NUMBER: SB 1196; HB 965 (Identical)

INTRODUCED BY: SB by Kim by request; HB by Souki by request

BRIEF SUMMARY: Amends HRS section 231-96(a) to replace the language that “it shall be unlawful to conduct more than ten taxable business transactions per day” with “it shall be unlawful for any person doing business under chapter 237, other than casual sales, to conduct any transaction.”

EFFECTIVE DATE: July 1, 2013

STAFF COMMENTS: This is an administration measure submitted by the department of taxation TAX-15 (13). It appears that under the existing language, taxpayers have stated that they have conducted under ten transactions and are not required to keep any records for the cash-based transaction. This measure would remove that language and subject all transactions, other than casual sales, to the laws regulating cash transactions including offering receipts and keeping timely records of transactions handled each day.

Digested 1/28/13