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To: The David Y. Ige, Chair
and Members of the Senate Committee on Ways and Means

Date: Wednesday, February 12, 2014

Time: 10:30 a.m.

Place: Conference Room 211, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: S.B. 3109, Relating to the General Excise Tax Collection Date

The Department of Taxation (Department) appreciates the merits of S.B. 3109, but must oppose this measure, as the Department is unable to comply with the provisions of this measure.

S.B. 3109 amends the date of filing of monthly, quarterly, and semiannual general excise tax (GET) returns from the twentieth day of the calendar, quarterly, or semiannual month to the last day (changes the date of filing to dates prior to Act 196, Session Laws of Hawaii 2009). If adopted, the measure is effective upon approval and applies to returns and payments due after July 1, 2014.

S.B. 3109 would require the Department to implement the change for GET forms almost immediately. This measure proposes logistical challenges for the Department. As the Legislature is likely aware, the Department's outdated computer system has significant functionality issues and changing the due date for all GET returns would require substantial resources which the Department does not have.

In order to remedy the functionality issues, the Department is embarking on a project for procuring and developing a new computer system commonly referred to as "Tax System Modernization". Thus, if the Legislature wishes to change the GET filing due date back to the last day of the month, the Department requests that the effective date be extended to no earlier than January 1, 2017, and apply to taxable years beginning after December 31, 2016.

The Department also notes that S.B. 3109, if adopted, will result in an estimated revenue loss of \$40 million in fiscal year 2018, and an estimated revenue gain of \$40 million in fiscal year 2020. Implementation of this measure will create "weekend effects" on tax revenues; that is, if June 30 (the end of the State's fiscal year) falls on a weekend, the tax revenues due that month likely will be paid and reported in the following fiscal year.

Thank you for the opportunity to provide comments.

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SUBJECT: GENERAL EXCISE, Amend filing date; filing of tax returns

BILL NUMBER: SB 3109; HB 2087 (Identical)

INTRODUCED BY: SB by Gabbard, Ruderman and 3 Democrats; HB by Har, Cullen, Say, Tokioka, Yamashita and 2 Democrats

BRIEF SUMMARY: Amends HRS section 237-30 providing that general excise tax returns 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.

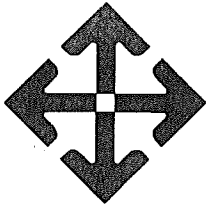
EFFECTIVE DATE: Returns and payments due after July 1, 2014

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. A return to the last day, rather than the 20th day of the month, may assist taxpayers in filing their general excise tax returns on a timely basis. Therefore, the adoption of this provision is welcomed. It should be noted that the last day of the month or the tax period following was the day that general excise tax returns were required to be filed since the inception of the general excise tax.

Since the change to the 20th day of the month following the period of activity, a number of taxpayers have reported difficulty in meeting that deadline as the twenty-day period is insufficient to reconcile financial records such as accounting for returns, discounts, and losses. For multi-district taxpayers, such as a chain of department stores, it is a matter of gathering records from the different outlets and reconciling sales that may have occurred between different retail outlets.

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. But this measure only applies to general excise tax returns. If this measure is adopted, consideration should be given to requiring all tax returns to be filed by the last day of the month following the period of activity.

Digested 2/10/14



The Hawaii Business League

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February 12, 2014

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

Presented By: Tim Lyons
President

Subject: S.B. 3109 – RELATING TO THE GENERAL EXCISE TAX COLLECTION DATE.

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 20th 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.



**Testimony to the Senate Committee on Ways and Means
Wednesday, February 12, 2014 at 10:30 A.M.
Conference Room 211, State Capitol**

**RE: SENATE BILL 3109 RELATING TO THE GENERAL EXCISE TAX
COLLECTION DATE**

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

The Chamber of Commerce of Hawaii (“Chamber”) **supports** SB 3109, which aims to reestablish the last of the month as the deadline for filing and payment of general excise taxes.

The Chamber is the largest business organization in Hawaii, representing more than 1,000 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.

Businesses are already struggling to stay afloat during this slow economic recovery. 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.

Thank you for the opportunity to provide testimony.