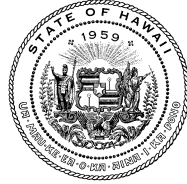


DAVID Y. IGE
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LT. GOVERNOR



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MARIA E. ZIELINSKI
DIRECTOR OF TAXATION

JOSEPH K. KIM
DEPUTY DIRECTOR

To: The Honorable Jill N. Tokuda, Chair
and Members of the Senate Committee on Ways and Means

Date: February 25, 2016

Time: 1:00 P.M.

Place: Conference Room 211, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: S.B. 2655, S.D.1, Relating to the General Excise Tax Collection Date.

The Department of Taxation (Department) appreciates the intent of S.B. 2655, S.D.1, and offers the following comments for your consideration.

S.B. 2655, S.D. 1, changes the due date for filing for: (1) monthly General Excise Tax (GET) returns from the twentieth day to the last day of the calendar month following the month in which the taxes accrue; (2) quarterly GET returns from the twentieth day to the last day of the calendar month after the close of each quarter; (3) semi-annual GET returns from the twentieth day to the last day of the calendar month after the close of each six-month period, and (4) annual GET returns from the twentieth day to the last day of the fourth month following the close of the taxable year. S.B. 2655, S.D. 1, applies to returns and payments due on or after January 1, 2017.

The Department appreciates that the Senate Committee on Government Operations adopted its suggestion to amend section 237-33, Hawaii Revised Statute, for consistency.

The Department believes that it is able to implement this measure for GET returns and payments due on or after January 1, 2017.

The estimated revenue impact is a loss of \$40 million in FY 2018, and a gain of \$40 million in FY 2020.

Thank you for the opportunity to provide comments.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: GENERAL EXCISE, Amend filing date of tax returns

BILL NUMBER: SB 2655, SD-1

INTRODUCED BY: Senate Committee on Government Operations

EXECUTIVE SUMMARY: Moves the due date of general excise tax returns to the last day of the month rather than the 20th. In that respect the due date will be inconsistent with that for other tax types. The immediate problem will be for use taxes, which are reported on the same returns.

BRIEF SUMMARY: Amends HRS section 237-30 to provide that general excise tax returns must 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: Applies to returns and payments due on or after January 1, 2017.

STAFF COMMENTS: Since the inception of the general excise tax, the periodic returns required by the tax system had been due on the last day of the month following the end of the tax period. 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. It was argued that this move was more consistent with the due dates for other returns such as the income tax returns, but the real reason it was done was to create a one-time cash infusion to the state because remittance paid with the return would be recognized, for the most part, one month earlier than it had been.

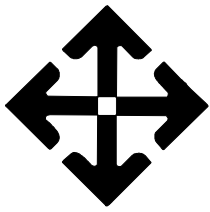
Act 22, SLH 2010, then required taxpayers subject to chapters 237D (transient accommodations), 238 (use tax), 243 (fuel tax), 244D (liquor), 245 (tobacco), 251 (rental motor vehicle) and 431:7 (insurance premiums) to file periodic or annual returns on the 20th day of the month.

Note that this measure only applies to general excise tax returns. This creates an immediate problem with regard to use taxes, which are reported on the same returns (Forms G-45 and G-49). The due date for use taxes is in HRS section 238-5, which is not amended by this bill. It might not be possible to fix the problem in the current bill because of the bill title, which is "Relating to the General Excise Tax Collection Date."

In addition, 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.

Also, lawmakers need to be prepared for the revenue drop when this measure, if adopted, kicks in. It would essentially reverse the accounting gains taken in 2009.

Digested 2/23/2016



The Hawaii Business League

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February 25, 2016

Testimony To: Senate Committee on Ways and Means
Senator Jill N. Tokuda, Chair

Presented By: Tim Lyons
President

Subject: S.B. 2655, SD 1 - RELATING TO THE GENERAL EXCISE TAX
COLLECTION DATE

Chair Tokuda 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.