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To: The Honorable Donna Mercado Kim, Chair  
and Members of the Senate Committee on Government Operations

Date: February 2, 2016  
Time: 1:15 P.M.  
Place: Conference Room 414, State Capitol

From: Maria E. Zielinski, Director  
Department of Taxation

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

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

S.B. 2655 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; and (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. S.B. 2655 applies to returns and payments due on or after January 1, 2017.

For consistency, the Department suggests that the due date for filing the annual GET returns is amended from the twentieth day to the last day of the fourth month following the close of the taxable year. The Department suggests the following amendment to Section 237-33, Hawaii Revised Statute:

**"§237-33 Annual return, payment of tax.** On or before the [~~twentieth~~] last day of the fourth month following the close of the taxable year, each taxpayer shall make a return showing the value of products, gross proceeds of sales or gross income, and compute the amount of tax chargeable against the taxpayer in accordance with this chapter and deduct the amount of monthly payments (as hereinbefore provided), and transmit with the taxpayer's report a remittance in the form required by section 237-31 covering the residue of the tax chargeable against the taxpayer to the district office of the department of taxation hereinafter designated. The return shall be

signed by the taxpayer, if made by an individual, or by the president, vice-president, secretary, or treasurer of a corporation, if made on behalf of a corporation. If made on behalf of a partnership, firm, society, unincorporated association, group, hui, joint adventure, joint stock company, corporation, trust estate, decedent's estate, trust, or other entity, any individual delegated by the entity shall sign the same on behalf of the taxpayer. If for any reason it is not practicable for the individual taxpayer to sign the return, it may be done by any duly authorized agent. The department, for good cause shown, may extend the time for making the return on the application of any taxpayer and grant such reasonable additional time within which to make the same as may, by it, be deemed advisable.

Section 232-2 applies to the annual return, but not to a monthly return."

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

Thank you for the opportunity to provide comments.

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# TAX FOUNDATION OF HAWAII

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126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

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

**BILL NUMBER:** SB 2655

**INTRODUCED BY:** GABBARD, NISHIHARA, RUDERMAN, Galuteria, Ihara, Kidani, Kim, Slom, Taniguchi

**EXECUTIVE SUMMARY:** Replaces the ethanol fuels income tax credit with a renewable fuels production income tax credit to encourage the production of such fuels. A direct appropriation would be preferable as it would provide some accountability for the taxpayer funds being utilized to support this effort.

**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.

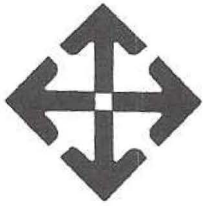
Act 22, SLH 2010, then required taxpayers subject to chapters 237D (transient accommodations), 238 (use tax), 243 (fuel tax), 244D (liquor), 245 (tobacco), 251 (rental motor vehicle) and 431:7 (insurance premiums) to file periodic or annual returns on the 20th day of the month.

Note that this measure only applies to general excise tax returns. 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 1/30/2016





# The Hawaii Business League

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February 2, 2016

Testimony To: Senate Committee on Government Operations  
Senator Donna Mercado Kim, Chair

Presented By: Tim Lyons  
President

Subject: S.B. 2655 – RELATING TO THE GENERAL EXCISE TAX  
COLLECTION DATE

Chair Mercado Kim and Members of the Committee:

I am Tim Lyons, President of the Hawaii Business League, a small business service organization. We do not oppose this bill but we would suggest an amendment.

It is common, particularly in this poor economy, that certain small businesses may run into financial problems in the payment of their taxes and even other obligations. We would only recommend that this bill be amended to allow for payment programs to be entered into and then allow the renewal of the professional or vocational license.

Anyone can run into trouble, particularly in this economy, and it is our feeling that as long as they make an agreement and, of course, follow that agreement to pay their back amounts, they should be allowed to continue to earn income not only for

themselves but also to pay off their debts. In many cases, if you deny their renewal of their license you are cutting off their only visible means of financial support.

Based on the above, and with that amendment, we do not object to everyone playing by the same rules.

Thank you.

TO: Members of the Committee on Government Operations

FROM: Natalie Iwasa, CPA, CFE  
Honolulu, HI 96825

HEARING: 1:15 p.m. Tuesday, February 2, 2016

SUBJECT: SB 2655 Relating to Taxation (GET due date) - **SUPPORT**

Aloha Chair and Senators,

Thank you for allowing me to provide testimony on SB 2655, which would move the due date for general excise tax (GET) returns from the 20<sup>th</sup> of the month to the end of the month.

Until a few years ago, GET returns were due at the end of the month. This allowed companies time to complete bank reconciliations and close their books for the month, quarter or half-year being reported on. With the due date earlier in the month, some businesses use estimates for reporting the GET liability, with the result that the actual amounts due are paid later.

I support this bill and ask you to vote yes.