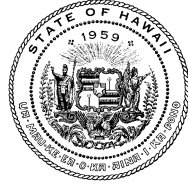


SB2928

Measure Title:	RELATING TO GENERAL EXCISE TAX REPORTING FOR SPECIAL EVENTS.
Report Title:	Taxes; Special Event Reporting
Description:	Requires operators of special events to file reports giving information about the vendors participating in special events. Grants Department of Taxation authority to issue citations for failure to file report.
Companion:	HB2399
Package:	Governor
Current Referral:	CPH, WAM
Introducer(s):	KOUCHI (Introduced by request of another party)

DAVID Y. IGE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



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MARIA E. ZIELINSKI
DIRECTOR OF TAXATION

JOSEPH K. KIM
DEPUTY DIRECTOR

To: The Honorable Rosalyn H. Baker, Chair
and Members of the Senate Committee on Commerce, Consumer Protection, and
Health

Date: February 5, 2016

Time: 9:00 A.M.

Place: Conference Room 229, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: S.B. 2928, Relating to General Excise Tax Reporting for Special Events.

The Department of Taxation (Department) strongly supports S.B.2928, an Administration measure, and offers the following testimony for your consideration.

S.B. 2928 imposes reporting requirements on the operators of special events, which are defined as an event at which there are two or more retailers offering property or services for sale or exchange. Operators of such events will be required to provide to the Department information regarding sellers participating in special events, including the names, addresses, and business license number of the sellers. S.B. 2928 also provides the Department the power to issue citations to special event operators who fail to comply with the reporting requirements. The measure is effective upon approval.

Special events represent a special challenge to tax law enforcement, as such events often involve primarily cash-based businesses which may or may not be properly licensed. The Department participates in these events to the extent feasible with its present resources, and frequently finds businesses which are not in compliance with all the tax laws. The Department however cannot have representatives present at all special events taking place within the State. S.B. 2928 requires the operators of special events to give the Department information on the businesses taking part in the special event. This information will assist the Department in finding businesses not currently in compliance with their general excise tax (GET) obligations and in bringing those businesses into compliance.

S.B. 2928 imposes requirements that are similar to those faced by special event operators in several other states, including California, New York, and Illinois. Therefore the new requirements should not present an undue burden to the affected businesses. Further, it is likely that a special event operator already possesses the information required to be reported pursuant to this measure as business or contractual relationship exists between the parties. The

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Department supports this measure as a means to bring more cash-based businesses into compliance with the tax laws of the State.

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, Special Events Reporting

BILL NUMBER: SB 2928; HB 2399 (Identical)

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

EXECUTIVE SUMMARY: The Department proposes to require an organizer of “special events” such as flea markets and swap meets to provide information to the Department about individuals doing business at those events, in order to bring those typically cash-based businesses into compliance with the law.

BRIEF SUMMARY: Adds a new section to HRS chapter 237 that would establish requirements for promoters or operators of special events. The requirements include reporting the name of each seller, along with the address given by the seller and any general excise tax number provided. Provides that citations may be issued to noncompliant promoters or operators, including a fine of \$250 for a first violation, \$500 for a second, and \$2,500 for any subsequent violation. A special event is defined as one at which two or more persons offer property or services for sale or exchange, such as swap meets, art shows, cultural festivals or events, carnivals, local fairs, farmers’ markets, sporting events, food truck events, craft fairs, and flea markets. A special event operator is any person who charges a fee or otherwise receives income in exchange for promoting, organizing, managing, or otherwise operating a special event.

EFFECTIVE DATE: Upon approval.

STAFF COMMENTS: This measure was submitted by the Department of Taxation as TAX-08 (16). Apparently the Department is concerned about “cash economy” transactions at these special events, and wants the special event organizers to collect information about the participants such as names, addresses, and license numbers. This would seem to be a reasonable measure to ensure that cash-based businesses at these special events are competing on a level playing field with those of us who abide by the law and pay taxes.

Digested 1/28/2016



**Testimony to the Senate Committee on Commerce, Consumer Protection, and
Health
Friday, February 5, 2016 at 9:00 A.M.
Conference Room 229, State Capitol**

**RE: SENATE BILL 2928 RELATING TO GENERAL EXCISE TAX REPORTING
FOR SPECIAL EVENTS**

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

The Chamber of Commerce Hawaii ("The Chamber") would like to **express concern** on SB 2928, which requires operators of special events to file reports giving information about the vendors participating in special events. Grants Department of Taxation authority to issue citations for failure to file report.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 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 members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

This bill would require special event operators to submit a report to the Department of Taxation providing information regarding sellers engaging in business at all special events for which they act as the operator. The form of the report would be prescribed by the Department. Penalties would apply for noncompliance. A special event would take place if there are two or more persons offering property or services for sale or exchange.

SB 2928 would increase regulatory burden, shifting enforcement of tax laws on cash economy participants from the Department of Taxation to event organizers. In some cases, particularly with respect to smaller events, event organizers may not be maintaining careful records of the sellers, nor are they necessarily required to do so under current law. We have some concern of shifting this burden from DOTAX to event organizers.

Thank you for the opportunity to testify.