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THE SENATE THE TWENTY-EIGHTH LEGISLATURE REGULAR SESSION OF 2016

COMMITTEE ON COMMERCE, CONSUMER PROTECTION, AND HEALTH

Testimony on S.B. 2928
Hearing: February 5, 2016

(RELATING TO GENERAL EXCISE TAX REPORTING FOR SPECIAL EVENTS)

Chair Baker, Vice Chair Kidani, and members of the Committee. My name is Peter Fritz. I am an attorney and a former Department of Taxation (“DOTAX” or “Department”) Rules Specialist. This written testimony is submitted at the request of the Committee to reflect my testimony at the hearing. I am testifying in opposition to this bill as currently drafted.

This bill requires operators of special events to file reports giving information about the vendors participating in special events. It also Grants Department of Taxation authority to issue citations for failure to file report.

Several years ago, the Department of Taxation introduced legislation to collect tax on cash transactions and even created a new section which was intended to enforce collection on cash sales. One area of concern expressed by the Department in its testimony was the collection of taxes on cash sales at flea markets and farmers markets. The Department was concerned that businesses operating act those “special events” might not have a General Excise Tax (“GET”) license and therefore would not be paying any tax on cash sales. The Department of Taxation now requires the businesses to display their GET license. This bill would accomplish nothing because vendors are currently required to show their GET license. Knowing the names of vendors who have presented a valid GET license to the operator of the special event adds little since the intent is to find businesses that do not have a GET license or collect GET on their sales. As drafted, this bill does not substantially add to that intent when measured against the burden that will be placed upon the operators of a special event

This burden is unreasonable because the businesses that sell at such events can vary on each event date and this bill would require the operator of the special event to maintain a list of every business displaying on every operating day of the special event.

In addition, it is unlikely that the Department could handle all of this data. If there are 700 or more businesses selling wares at the Aloha Stadium Flea Market every Saturday and

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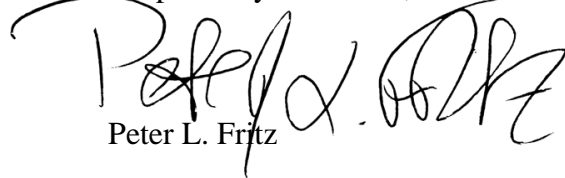
Sunday, an operator would have to submit more than 72,000 (700x2x 52) records showing the GET license numbers for the exhibitors to accurately reflect which businesses were selling goods on a particular day. Upon information and belief, the RFP for the new TMS system does not contain any contract clauses to develop software that might be able to mine any meaningful information from this big data.

At most, all this bill should require is that the operator of the special event to obtain a copy of the businesses in general excise tax license and keep such copy on file for a 3 year period. Creating and filing reports will be burdensome and oppressive and would more likely than not result in a piece of paper that is never reviewed by anyone at the DOTAX.

The Department should focus on paperwork reduction, not paperwork creation.

Thank you for the opportunity to testify.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Peter L. Fritz", written in a cursive style. The signature is positioned below the text "Respectfully submitted," and above the printed name "Peter L. Fritz".

Peter L. Fritz