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GOVERNOR

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LT. GOVERNOR



STATE OF HAWAII  
**DEPARTMENT OF TAXATION**  
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DAMIEN A. ELEFANTE  
DEPUTY DIRECTOR

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

Date: Tuesday, February 21, 2017  
Time: 10:05 A.M.  
Place: Conference Room 211, State Capitol

From: Maria E. Zielinski, Director  
Department of Taxation

Re: S.B. 794, S.D. 1, Relating to the General Excise Tax Collection Date

The Department of Taxation (Department) offers the following comments regarding S.B. 794, S.D. 1, for your consideration.

S.B. 794, 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. The measure applies to taxable periods beginning after December 31, 2017.

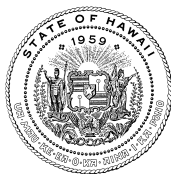
The Department first notes that the due dates for Use Tax should match the due dates for GET. This is because Use Tax is intended to complement GET and taxpayers are allowed to file their GET and Use Tax on the same tax return and make one payment for both taxes. Accordingly, the Department suggests that the Use Tax due dates, set forth in section 238-5, Hawaii Revised Statute, be amended to be consistent with the amendments to the GET due dates proposed by this measure.

If the Committee wishes to advance the measure, the Department requests that it be made applicable to tax periods beginning January 1, 2019 to allow sufficient time for necessary form, instruction and computer system modification necessary for proper implementation.

As written, the estimated revenue impact of S.B. 794, S.D. 1, to the general fund is a loss of approximately \$40 million in fiscal year 2018, and a gain of \$40 million in fiscal year 2020.

Thank you for the opportunity to provide comments.

DAVID Y. IGE  
GOVERNOR



WESLEY K. MACHIDA  
DIRECTOR

LAUREL A. JOHNSTON  
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM  
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND  
OFFICE OF THE PUBLIC DEFENDER

**STATE OF HAWAII**  
**DEPARTMENT OF BUDGET AND FINANCE**  
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ADMINISTRATIVE AND RESEARCH OFFICE  
BUDGET, PROGRAM PLANNING AND  
MANAGEMENT DIVISION  
FINANCIAL ADMINISTRATION DIVISION  
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

**WRITTEN ONLY**

TESTIMONY BY WESLEY K. MACHIDA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
TO THE SENATE COMMITTEE ON WAYS AND MEANS  
ON  
SENATE BILL NO. 794, S.D. 1

**February 21, 2017**  
**10:05 a.m.**  
**Room 211**

**RELATING TO THE GENERAL EXCISE TAX COLLECTION DATE**

Senate Bill No. 794, S.D. 1, amends the date of filing of monthly, quarterly, semiannual and annual general excise tax returns from the 20<sup>th</sup> day of the respective applicable month to the last day of the month. This change is applicable to tax periods beginning after December 31, 2017.

The Department of Budget and Finance has concerns with this bill because it would increase volatility of reported monthly tax collections. The filing deadline was changed from the end of the month to the 20<sup>th</sup> day to eliminate the "weekend effect" that the end of the month filing deadline had. Previously, if the filing deadline fell on a weekend the general excise and use tax payments were recorded in the following month rather than the month for which the filing was made. This provided another complication to the already difficult task of forecasting tax revenues.

On a technical matter, both the Department of Taxation and the Tax Foundation of Hawaii had recommended at the previous hearing on this bill to make conforming amendments to the use tax provisions because the two taxes are complementary taxes. We would like to point out that the title of Senate Bill No. 794, S.D. 1, is very narrow and it does not appear possible to incorporate use tax amendments in this bill.

Thank you for your consideration of our 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 794, 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. The due date will be inconsistent with that for other tax types. The most obvious problem will be that general excise taxes and use taxes, which are reported on the same returns, will have different due dates.

SYNOPSIS: 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.

Amends HRS section 237-33 to provide that the annual reconciliation return must be filed by the last day of the fourth month following the close of the taxable year, rather than the 20th day of the month.

EFFECTIVE DATE: Applicable to taxable periods beginning after December 31, 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.

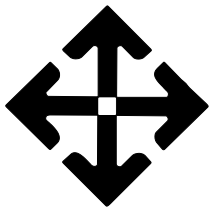
Note that this measure only applies to general excise tax returns. This creates an immediate problem regarding use taxes, which are reported on the same piece of paper (Forms G-45 and G-49). The due date for use taxes is in HRS section 238-5, which is not amended by this bill. It might not be possible 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.

Re: SB 794, SD-1  
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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 2/17/2017



# The Hawaii Business League

1188 Bishop St., Ste. 1003, Honolulu, Hawaii 96813

Phone: (808) 533-6819 Facsimile: (808) 533-2739

February 21, 2017

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

Presented By: Tim Lyons  
President

Subject: S.B. 794, 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 20<sup>th</sup> 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.



COMMITTEE ON WAYS AND MEANS

Senator Jill N. Tokuda, Chair  
Senator Donovan M. Dela Cruz, Vice Chair

NOTICE OF HEARING

DATE: Tuesday, February 21, 2017  
TIME: 10:05 AM  
PLACE: Conference Room 211

TESTIMONY OF THE OCEAN TOURISM COALITION  
**SPEAKING IN SUPPORT OF SB 794,SD1**

Aloha Chair Senator Tokuda and Vice Chair Senator Dela Cruz:

My name is James E. Coon, President of the Ocean Tourism Coalition (OTC) Hawaii's State-wide organization. We represent the 300 Small Commercial Passenger Vessels operating out of State Harbor facilities. We speak in **Support of SB 794,SD1**:

We support this bill which will give a full month to submit the GET. It has been difficult to provide this information in 20 days. We believe it will take an unnecessary burden away and result in a more effective tax collection system.

Sincerely,

James E. Coon