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To: The Honorable Donovan M. Dela Cruz, Chair
and Members of the Senate Committee on Ways and Means

Date: Monday, February 11, 2019
Time: 10:00 A.M.
Place: Conference Room 211, State Capitol

From: Linda Chu Takayama, Director
Department of Taxation

Re: S.B. 458, Relating to Taxation

The Department of Taxation (Department) offers the following comments on S.B. 458 for the Committee's consideration.

S.B. 458 requires the Department to track tax revenues generated by each industry in the State and report to the Legislature prior to the 2023 Regular Session.

The Department notes that Hawaii Revised Statutes (HRS) section 231-3.4 requires the Department to publish annual reports on Hawaii income patterns for individuals and businesses, tax credits, and general excise tax exemptions. These reports are available on the Department's website¹. S.B. 458 seems to be duplicative of the reports required by HRS section 231-3.4.

The Hawaii Business Income Report consists of business receipts, net profit, net loss, and wages paid by industry type for C Corporations, S Corporations, Financial Institutions and Partnerships. The report also contains tax liability by industry group for C-Corporations and Financial Institutions. The Department also publishes a monthly report of general excise tax collections by various categories on its website².

Thank you for the opportunity to provide comments.

1 http://tax.hawaii.gov/stats/a5_1annual

2 http://tax.hawaii.gov/stats/a5_3txcolrpt

SB-458

Submitted on: 2/10/2019 9:44:48 AM

Testimony for WAM on 2/11/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Melodie Aduja	Testifying for O`ahu County Committee on Legislative Priorities of the Democratic Party of Hawai`i	Support	No

Comments:

TAX FOUNDATION OF HAWAII

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SUBJECT: ADMINISTRATION, Revenue Tracking

BILL NUMBER: SB 458

INTRODUCED BY: RUDERMAN, K. RHOADS, S. Chang, Gabbard, Ihara, Wakai

EXECUTIVE SUMMARY: Requires the department of taxation to track the revenues generated by each industry in the State and requires a report of its findings to be submitted to the legislature no later than twenty days prior to the convening of each regular session.

SYNOPSIS: Adds a new paragraph to section 231-3, HRS, empowering the Department to track tax revenues generated by each industry in the State and submit a report of its findings to the legislature no later than twenty days prior to the convening of the regular session of 2023 and each regular session thereafter.

EFFECTIVE DATE: Upon approval.

STAFF COMMENTS: As drafted, the task given the Department by this measure is pretty big – to compile industry totals across all tax types, some of which might not even be administered by the Department (the insurance premium tax for example). The Department does ask for a standard industry classification (SIC) code on its basic business registration application, Form BB-1, so with the proper software it in theory should be able to come up with totals among the taxes that it administers itself.

Digested 2/5/2019

SB-458

Submitted on: 2/9/2019 8:48:09 PM

Testimony for WAM on 2/11/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Dylan P. Armstrong	Individual	Support	No

Comments: