

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

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SUBJECT: GENERAL EXCISE, TRANSIENT ACCOMMODATIONS, Information Reporting by Rent Collectors

BILL NUMBER: HB 1045; SB 1199

INTRODUCED BY: HB by SAIKI by request; SB by KOUCHI by request

EXECUTIVE SUMMARY: Revises the manner in which person authorized to collect rent provides information to the Department of Taxation and requires (as opposed to permits) them to report the total amount of rent collected under sections 237-30.5 and 237D-8.5, HRS.

SYNOPSIS: Amends section 237-30.5, HRS, which now requires reporting to the Department of persons who collect rent on behalf of property owners, to revise the information required to be reported and to impose penalties for failure to report.

Amends section 237D-8.5, HRS, HRS, which now requires reporting to the Department of persons who collect transient accommodation rent on behalf of property owners, to revise the information required to be reported and to impose penalties for failure to report.

EFFECTIVE DATE: Upon approval.

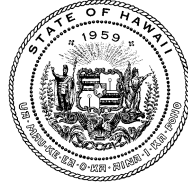
STAFF COMMENTS: This is an Administration bill sponsored by the Department of Taxation and designated TAX-05 (21).

This bill represents an attempt to garner necessary information from property managers and others regarding rented properties where the owner of the property, who would be responsible for GET and TAT if applicable, might not be paying the proper taxes. The information sought under the revised statutory sections appears to be reasonable.

Digested 2/8/2021

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To: The Honorable Sean Quinlan, Chair
The Honorable Daniel Holt, Vice Chair
and Members of the House Committee on Economic Development

From: Isaac W. Choy, Director
Department of Taxation

Date: February 10, 2021
Time: 9:30 A.M.
Place: Via Video Conference, State Capitol

Re: H.B. 1045, Relating to Tax Reporting

The Department of Taxation (Department) strongly supports H.B. 1045, an Administration measure, and offers the following comments for the Committee's consideration.

H.B. 1045 amends Hawaii Revised Statutes (HRS) sections 237-30.5 and 237D-8.5 to revise the way persons who collect rents or gross rental proceeds on behalf of owners of real property or operators of transient accommodations report such collection to the Department.

Under current law, persons collecting rent or gross rental proceeds on behalf of others must report information identifying each owner or operator on whose behalf they collect. However, they are not required to report the total amount of money collected on behalf of each owner or operator. Current law also requires the person to provide the owner or operator a copy of a tax liability notice. There is no penalty for noncompliance with the reporting requirements under existing law.

H.B. 1045 would require persons who collect rents or gross rental proceeds on behalf of others to report to the Department the total amount of rent or gross rental proceeds collected on behalf of the owner or operator during the previous calendar year. The bill would maintain reporting of the identifying information required under current law as well as the requirement to provide a tax liability notice to the owner or operator. Finally, H.B. 1045 imposes a penalty for noncompliance with the reporting requirements. The penalty is \$500 per violation per month.

The Department believes this bill will improve compliance in two ways. First, the increased reporting requirements will lead to increased voluntary compliance. If taxpayers know that the Department has information detailing how much rent they received, they will be more likely to complete returns and pay their taxes voluntarily. This will lead to both better collections and a reduced administrative burden.

In addition, reporting of the total amount of rent and gross rental proceeds collected will provide an independent measure of a taxpayers' receipts. This will simplify and improve the accuracy of any eventual audit of the taxpayer.

Thank you for the opportunity to provide testimony in support of this measure.