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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. 1048, Relating to Taxation

The Department of Taxation (Department) strongly supports H.B. 1048, and offers the following for your consideration.

H.B. 1048 makes several amendments to chapters 243, 244D, and 245, Hawaii Revised Statutes (HRS). These three chapters govern the fuel, liquor, and cigarette and tobacco taxes, respectively, and they have not been comprehensively revised in many years. The Department has recently completed a review of these three chapters and believes the amendments in this bill add clarity to the law and allow for more effective administration. H.B. 1048 makes the following amendments:

- Adds a new section to chapter 243, HRS, that incorporates relevant provisions of chapters 235 and 237, HRS (the Income and General Excise tax chapters); a similar provision exists in chapters 244D and 245, HRS;
- Amends sections 243-2, 243-3, 244D-2, 245-2, and 245-2.5(m) and (n) (sections related to licensing, permitting, and appeals), HRS, so that they read and operate more similarly to each other;
- Amends section 243-2(a), HRS, by deleting its final sentence, which is related to military and commercial aviators that shipped fuel into the State for their own use prior to the State developing its own fuel refinery in 1962;
- Amends section 243-10, HRS, to clarify that fuel tax return information is confidential except for the information specifically mentioned in that section;
- Amends section 244D-1, HRS, to expand the definition of "dealer" to include other relevant classifications of liquor licensees;
- Amends section 244D-2, HRS, to remove unnecessary and onerous forty-eight hour notice requirements for the Department of Taxation and the county liquor commissions to

communicate with each other, additionally, making amendments to clarify the period for which a liquor permit is valid;

- Amends section 245-33, HRS, to allow the Department to decrease the amount refunded to taxpayers for unused stamps by any amount of discounted purchase price under section 245-22(e), HRS;
- Repeals section 243-8, HRS, which established the taxable period of the fuel license tax and amends section 243-10, HRS, to create the taxable period and also make other technical amendments; and
- Repeals section 245-31, HRS, which requires a redundant monthly report.

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

TAX FOUNDATION OF HAWAII

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SUBJECT: TOBACCO, LIQUOR, FUEL, Technical Cleanup

BILL NUMBER: SB 1202; HB 1048

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

EXECUTIVE SUMMARY: Makes various technical amendments to chapters 243, 244D, and 245, Hawaii Revised Statutes.

SYNOPSIS: Adds a new section to chapter 243, HRS (fuel tax), providing that the administrative provisions of chapters 235 (income tax) and 237 (general excise tax) apply.

Amends sections 243-2, 243-3, 244D-2, 245-2, and 245-2.5(m) and (n) (sections related to licensing, permitting, and appeals), HRS, so that they read and operate similarly.

Amends section 243-2(a), HRS, by deleting its final sentence, which appears to be superfluous.

Amends section 243-10, HRS, to clarify that fuel tax return information is confidential except for the information specifically mentioned in that section.

Amends section 244D-1, HRS, to expand the definition of "dealer" to include other relevant classifications of liquor.

Amends section 244D-2, HRS, to remove 48- hour notice requirements for the Department of Taxation and the county liquor commissions to communicate with each other, and to clarify the period for which a liquor permit is valid.

Amends section 245-33, HRS, to allow the Department to decrease the amount refunded to taxpayers for unused stamps by any discount off the purchase price that had been applied under section 245-22(e), HRS.

Repeals section 243-8, HRS, which established the taxable period of the fuel license tax and amends section 243-10, HRS, to create the taxable period and also make other technical amendments.

Repeals section 245-31, HRS, which now requires a monthly report.

EFFECTIVE DATE: Upon approval.

STAFF COMMENTS: This is an Administration bill sponsored by the Department of Taxation and identified as TAX-08 (21).

The amendments proposed do appear to be technical and operational in nature, and appear to accomplish the technical cleanup that the Department states is the purpose of the legislation.

Digested 2/4/2021