

DAVID Y. IGE
GOVERNOR

JOSH GREEN M.D.
LT. GOVERNOR



ISAAC W. CHOY
DIRECTOR OF TAXATION

STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

To: The Honorable Donovan M. Dela Cruz, Chair;
The Honorable Gilbert S.C. Keith-Agaran, Vice Chair;
and Members of the Senate Committee on Ways & Means

From: Isaac W. Choy, Director
Department of Taxation

Date: Wednesday, February 3, 2021

Time: 10:00 A.M.

Place: Via Videoconference, Hawaii State Capitol

Re: S.B. 594, Relating to General Excise Tax

The Department of Taxation (Department) offers the following comments regarding S.B. 594 for your consideration.

S.B. 594 amends section 237-30, Hawaii Revised Statutes (HRS), which governs the general excise tax (GET). The measure exempts taxpayers from GET if the gross income is less than \$100 for the taxable year provided that the taxpayer complies with annual reconciliation return filing requirement.

The Department is able to administer the bill as written, however, it suggests that the effective date be changed to taxable years beginning after December 31, 2021, because qualification for this new exemption is based on income from the entire taxable year. This effective date will also allow sufficient time to make the necessary form, instructions, and computer system changes necessary to implement this measure.

Thank you for the opportunity to provide comments.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: GENERAL EXCISE, Exempt low liability taxpayers from periodic filing

BILL NUMBER: SB 594

INTRODUCED BY: KIM, CHANG, DELA CRUZ, ENGLISH, FEVELLA, GABBARD, INOUE, KEITH-AGARAN, KIDANI, MISALUCHA, RIVIERE, SAN BUENAVENTURA, Keohokalole, Moriwaki, Shimabukuro, Wakai

EXECUTIVE SUMMARY: Authorizes the director of taxation to exempt a taxpayer whose annual general excise tax liability does not exceed \$100 from monthly, quarterly, or semiannual general excise tax filing requirements, provided that the taxpayer files an annual return.

SYNOPSIS: Amends section 237-30, HRS, to so provide.

EFFECTIVE DATE: Upon approval.

STAFF COMMENTS: At present, periodic returns are required semiannually for taxpayers reporting less than \$2,000 in annual general excise tax liability; quarterly for taxpayers reporting more than \$2,000 and less than \$4,000; and monthly for taxpayers reporting more than \$4,000. Taxpayers filing monthly returns are required to file electronically.

The last time the filing thresholds for filing periodic general excise tax returns were changed was in 2001, by Act 8, SLH 2001 (3d Sp. Sess.). The thresholds amended by that Act had been in place since 1985. We believe that sufficient time has passed since then to take a hard look at the filing thresholds again to “reduce the filing burden of taxpayer, thereby encouraging compliance and providing greater cash flow for taxpayers.” Act 8, SLH 2001 (3d Sp. Sess.), sec. 1. Comparable thresholds exist in the withholding (HRS section 235-62), transient accommodations (HRS section 237D-6), and rental motor vehicle (HRS section 251-4) taxes, and it may be worth looking at those thresholds as well, not only to ease the burden on taxpayers but also the burden of the Department of Taxation, which needs to process the returns and account for minuscule remittances.

Digested 1/30/2021

SB-594

Submitted on: 1/30/2021 3:34:07 PM

Testimony for WAM on 2/3/2021 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Amy Brinker	Individual	Support	No

Comments:

Support