

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 Sylvia Luke, Chair;
The Honorable Kyle T. Yamashita, Vice Chair;
and Members of the House Committee on Finance

From: Isaac W. Choy, Director
Department of Taxation

Date: Monday, April 4, 2022
Time: 1:30 P.M.
Place: Via Video Conference, State Capitol

Re: S.B. 2303, Relating to the General Excise Tax

The Department of Taxation (Department) supports S.B. 2303 and offers the following comments for the committee's consideration.

S.B. 2303 authorizes the Director of Taxation to exempt any general excise taxpayer whose annual GET liability does not exceed \$100 from periodic general excise tax (GET) filing requirements, provided that taxpayer files an annual return. The measure is effective upon approval and applies to taxable years beginning after December 31, 2022.

Under current law, these taxpayers are required to file periodic GET return on a semi-annual basis. The Department is able to administer the measure as written.

Thank you for the opportunity to provide testimony on this measure.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

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

BILL NUMBER: SB 2303

INTRODUCED BY: KIM, DECOITE, DELA CRUZ, INOUYE, KEITH-AGARAN, KIDANI, LEE, MISALUCHA, RIVIERE, SAN BUENAVENTURA, Baker, Chang, Ihara, Nishihara, 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. Applies to taxable years beginning after 12/31/2022. We think that it is worth it to consider the adequacy of the filing thresholds in general, to minimize the burden on not only the taxpaying public but also the Department that needs to process and collect small remittances.

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

EFFECTIVE DATE: Applies to taxable years beginning after December 31, 2022.

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: 1/27/2022