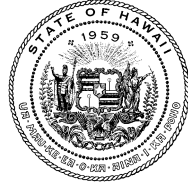


DAVID Y. IGE
GOVERNOR

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ISAAC W. CHOY
DIRECTOR OF TAXATION

STATE OF HAWAII
DEPARTMENT OF TAXATION
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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: March 12, 2021
Time: 11:00 A.M.
Place: Via Videoconference, Hawaii State Capitol

Re: S.B. 594, S.D. 1, Relating to General Excise Tax

The Department of Taxation (Department) offers the following comments regarding S.B. 594, S.D. 1, for your consideration.

S.B. 594, S.D. 1, amends section 237-30, Hawaii Revised Statutes, 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 measure applies to taxable years beginning after December 31, 2021.

The Department notes that the current federal stimulus bill, as passed by the United States Congress on March 10, 2021, contains a provision that requires the repayment of stimulus funds received by the State for any revenue loss measures enacted from March 3, 2021 until the last day of the fiscal year in which the stimulus funds have been completely expended by the State.

Finally, the Department notes that it is able to administer the bill as written. Thank you for the opportunity to provide testimony on this measure.

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, SD1

INTRODUCED BY: Senate Committee on Ways and Means

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: Taxable years beginning after December 31, 2021.

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 3/9/2021

TO: Members of the Committee on Economic Development

FROM: Natalie Iwasa, CPA, CFE
808-395-3233

HEARING: 11 a.m. Friday, March 12, 2021

SUBJECT: SB 594, SD1 General Excise Tax - **SUPPORT**

Aloha Chair Quinlan and Committee Members,

Thank you for allowing me the opportunity to provide testimony on SB 594, SD1, which would allow taxpayers who have a general excise tax liability of \$100 or less for the year to file annually instead of semi-annually. I support this bill.

Some taxpayers, especially nonprofit organizations, may have very low taxable income and likely often file \$0 returns. This change in the law would reduce unnecessary paperwork for them and the state Department of Taxation.

Please vote "yes."