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**HOUSE COMMITTEE ON FINANCE  
TESTIMONY REGARDING SB 1449 SD 2  
RELATING TO GENERAL EXCISE TAX**

**TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)**

**DATE: MARCH 25, 2009**

**TIME: 4PM**

**ROOM: 308**

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This measure modifies the current periodic payment structure for purposes of the general excise tax (GET).

The Department of Taxation (Department) **opposes this measure as unnecessary because the Department prefers SB 1461 or HB 1735.**

**THIS BILL IS UNNECESSARY BECAUSE THIS MEASURE CAN BE ACCOMPLISHED SUBSTANTIALLY THROUGH ADMINISTRATIVE CHANGES—** The Department believes that it can administratively accomplish the purpose of this measure. The Department is currently exploring the ability to accomplish the substance of this measure without statutory modifications.

**ADVANCING THE DUE DATE—**The Department supports advancing the filing and payment deadline. The Department believes the better approach is the method set forth in SB 1461 or HB 1735 and prefers the versions of those bills.

Because the Department believes this measure is ultimately unnecessary and other measures better accomplish other aspects, this measure should be held.

# TAXBILLSERVICE

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TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: GENERAL EXCISE, Amend filing date

BILL NUMBER: SB 1449, SD-2

INTRODUCED BY: Senate Committee on Ways and Means

**BRIEF SUMMARY:** Amends HRS section 237-30 to provide that monthly general excise returns shall be filed by the 20th of the month rather than the last day of the month and shall be in the form of an estimated payment voucher.

Quarterly general excise tax returns shall be filed on a voucher with payment of taxes due by 20th day of the calendar month after the close of each quarter rather than the last day of the calendar month following the close of the quarter. Fiscal year quarterly general excise tax returns shall be filed by the 20th day of the fourth month, seventh month, and tenth month following the beginning of the fiscal year. Replaces the \$4,000 threshold with \$ \_\_\_\_\_.

Semiannual general excise tax returns shall be filed by the 20th day of the calendar month following the close of each six month period, rather than the last day of the calendar month after the close of each six-month period. Fiscal year returns shall be filed by the 20th day of the seventh month following the beginning of the fiscal year and by the 20th day of the month following the close of the fiscal year, instead of the last day of the seventh month following the beginning of the fiscal year and the last day of the month following the close of a fiscal year. Replaces the \$2,000 threshold with \$ \_\_\_\_\_.

Requires taxpayers that are required to make estimated tax payments by voucher by the 20th day of the fourth month following the close of the taxpayer's tax year to file a reconciliation return.

Also amends provisions relating to the revocation of a periodic permit to replace the dollar amount with \$ \_\_\_\_\_.

Establishes as penalties for the underpayment of any general excise tax, an amount determined at the rate of two-thirds of one percent a month or fraction of a month on the amount of the underpayment for the period of the underpayment.

**EFFECTIVE DATE:** July 1, 2009

**STAFF COMMENTS:** This measure proposes to change the due date of the monthly, quarterly or semiannual general excise tax returns from the last day of the month following the month the taxes accrued to the 20th day of the month following the month the taxes are accrued and require the payment of estimated general excise taxes due by a voucher.

It appears that the proposed change in the filing date will address the "weekend" effect where the last day of the month following falls on a weekend, pushing collections of the tax into the next month as the mail

is opened on the following Monday which might be the first day of the next month.

It should be noted that when a similar proposal to move up the filing date of the general excise tax was floated in the early 1990's, the corporate community protested that it would impose an undue burden on their financial and accounting systems as in many cases their records needed to be reconciled after the close of the month in order to insure accuracy in their filings. Whether or not technology has allowed these taxpayers to address those concerns is unclear, but in any case, lawmakers should check with the business community to see if this earlier deadline can be met without undue burden.

Digested 3/24/09



**Testimony to the House Committee on Finance  
Wednesday, March 25, 2009  
4:00 p.m.  
Conference Room 308  
Agenda #3**

**RE: SENATE BILL NO. 1449 SD2 RELATING TO GENERAL EXCISE TAX**

Chair Oshiro, Vice Chair Lee, and members of the committee:

My name is Jim Tollefson and I am the President and CEO of The Chamber of Commerce of Hawaii ("The Chamber"). The Chamber has concerns with SB 1449 SD2.

The Chamber is the largest business organization in Hawaii, representing more than 1,100 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of its members, which employ more than 200,000 individuals, to improve the state's economic climate and to foster positive action on issues of common concern.

This measure proposes to accelerate the payment of GET taxes.

While we understand the intent of this measure and the urgency to find a solution to address the current fiscal status of the State's budget, the Chamber does not support tax increases due to the volatile effect that the economy is having on business, especially small ones. We believe this bill will essentially amount to a one-time tax increase and create additional administrative burdens for business, which in turn, will impose additional costs.

Businesses are already struggling to stay afloat. Merely keeping up with operating expenses is difficult, especially for small businesses. Therefore, a tax increase, albeit a one time increase, will become an additional cost imposed on companies that they cannot afford to undertake at this time.

Thank you for the opportunity to provide testimony.

## **FINTestimony**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, March 23, 2009 4:12 PM  
**To:** FINTestimony  
**Cc:** refrey2001@yahoo.com  
**Subject:** Testimony for SB1449 on 3/25/2009 4:00:00 PM

Testimony for FIN 3/25/2009 4:00:00 PM SB1449

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Richard Frey  
Organization: Individual  
Address:  
Phone:  
E-mail: refrey2001@yahoo.com  
Submitted on: 3/23/2009

Comments: