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**HOUSE COMMITTEE ON FINANCE
TESTIMONY REGARDING HB 2600
RELATING TO TAX ADMINISTRATION**

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

DATE: FEBRUARY 10, 2010

TIME: 2PM

ROOM: 308

This measure modifies the due date for miscellaneous taxes, including the insurance premiums tax administered by the Insurance Commissioner, to conform to the new deadline of the general excise tax—the 20th day of the month.

The Department of Taxation (Department) **strongly supports** this measure.

CONFORMITY TO NEW GET DEADLINE—Act 196, Session Laws of Hawaii 2009, amended the due date for filing and payment of the general excise tax from the last day of the month to the twentieth day of the month. Other miscellaneous taxes with a similar due date were not amended. The purpose of this measure is to amend the remaining miscellaneous taxes with due dates on the last day of the month to require the filing and payment of taxes on the twentieth day of the month.

APPLIES TO MISCELLANEOUS TAXES—The tax types affected by this measure include: Transient accommodations tax, use tax, fuel tax, liquor tax, tobacco tax, and rental motor vehicle surcharge tax.

This measure also amends the periodic filing and payment requirement for quarterly insurance premiums tax returns by changing the period from quarterly to monthly, and by changing the due date from the last day of the month to the twentieth.

ONE TIME REVENUE GAIN—This measure will result in a one-time revenue gain of approximately \$21.3 million for the general fund and approximately \$5 million for various special funds.

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SUBJECT: TRANSIENT ACCOMMODATION, USE, FUEL, LIQUOR, TOBACCO, TOUR VEHICLE SURCHARGE; INSURANCE PREMIUMS, Amend filing date

BILL NUMBER: SB 2753; HB 2600 (Identical)

INTRODUCED BY: SB by Hanabusa by request; HB by Say by request

BRIEF SUMMARY: Amends HRS chapters 237D, 238, 243, 244D, 245 and 251 to require annual, monthly, quarterly, or semiannual returns or other return that is due on the last day of the month to be filed by the 20th day of the month.

Amends HRS section 431:7-201 to provide that the quarterly tax statements shall be filed monthly on the 20th day of the month instead of the last day of the month.

EFFECTIVE DATE: July 1, 2010

STAFF COMMENTS: This is an administration measure submitted by the department of taxation TAX-21(10). The legislature by Act 196, SLH 2009, accelerated filing and payment of general excise taxes to the 20th day rather than the last day of the month following the business activity. This measure proposes the same transition of filing dates to the 20th day rather than the last day of the month for the filing of transient accommodations, use, fuel, liquor, cigarette, rental motor vehicle and tour vehicle surcharge, and insurance premiums taxes. While the proposed measure will address the "weekend" effect where the last day of the following month 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, consideration should be made to also amend other filing dates throughout title 14 for consistency, i.e., public service company, etc.

It should be remembered that a similar proposal was made in the early 1990's to accelerate the day the monthly general excise tax return was due. That proposal elicited cries of foul with many larger businesses protesting that they could not meet the earlier deadline as their records needed to be reconciled. Perhaps technology has addressed those concerns, but in any case, lawmakers should check with the business community to see if this earlier deadline can be met. Many taxpayers who are subject to the general excise tax should have had at least a month's experience with the earlier due date of the return and should be able to share the challenges they have encountered. Several taxpayers who file on behalf of absentee owners of transient rentals report difficulty collecting the rental information on a timely basis as they may be dealing with owners of the rentals who are not residents.

Finally, one has to question what effect the department going paperless, unless otherwise requested, has had on the timely filing of returns. Several taxpayers, especially small businesses, have reported requesting paper forms to file their returns and then received none at all. Having to file a paper form is a visible reminder that the tax is due. Given that the collection of revenue is critical to continue the operations of government, this is one area where no dime should be spared.

Digested 2/9/10