

STAND. COM. REP. NO.

414

Honolulu, Hawaii

FEB 18 2011

RE: S.B. No. 756
S.D. 1

Honorable Shan S. Tsutsui
President of the Senate
Twenty-Sixth State Legislature
Regular Session of 2011
State of Hawaii

Sir:

Your Committee on Economic Development and Technology, to which was referred S.B. No. 756 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Require the Department of Taxation to establish a system to allow taxpayers to file all tax returns, applications, reports, and other documents electronically, telephonically, or by optical means; and
- (2) Reestablish the last day of the month as the deadline for filing and payment of general excise taxes.

Your Committee received testimony in support of this measure from The Chamber of Commerce of Hawaii, Retail Merchants of Hawaii, The Hawaii Business League; and Natalie J. Iwasa, CPA, Inc. Your Committee received comments on this measure from the Department of Taxation and Tax Foundation of Hawaii.

This measure, as proposed by the Small Business Discussion Group, is intended to address small business objections to the earlier filing dates required under Act 22, Session Laws of Hawaii 2010, as well as giving businesses an incentive to make their general excise tax payments electronically. Most objections to the earlier filing date for general excise tax payments centered on the concern that check payments mailed to the Department of



Taxation by the 20th day of the month, were not cashed and deposited by the State of Hawaii for periods as long as twelve to twenty-one days after the payments were made. By removing the cost of using the State's internet portal as an impediment to electronic payment of general excise taxes, your Committee seeks to restore last day of the month general excise tax payment due dates, while giving the Department of Taxation a relatively simple means of obtaining immediate payment of general excise taxes.

Your Committee finds that while the Department of Taxation has indicated support for the provisions of this measure, the Department has expressed concerns regarding the requirement that electronic filing be available by July 1, 2011. The Department estimates that it will take years to enable electronic filing of all returns, applications, reports, and other documents unless considerable financial and human resources are made available.

Your Committee is in agreement with the Department regarding the resources needed to implement an expanded electronic filing system, and has amended this measure accordingly, by:

- (1) Establishing the Integrated Tax Services and Management Special Fund to receive revenues from the Integrated Tax Services and Management System's post-implementation revenue-generating initiatives, and providing that monies in the fund shall be used to pay for the Integrated Tax Services and Management System;
- (2) Requiring the Department of Taxation to utilize performance-based contracts to enhance, acquire, or enhance and acquire automated tax systems, including computer hardware and software, for the implementation and administration of the taxes under title 14, Hawaii Revised Statutes, and requiring annual reports to the Legislature on the status of the performance-based contracts;
- (3) Appropriating funds for the Integrated Tax Services and Management Special Fund in fiscal year 2011-2012 to assist the Department in upgrading its operations, workforce, skills of its employees, or other purposes; provided that the Department shall repay the General Fund for the appropriation no later than June 30, 2012;



- (4) Requiring the Department to establish a system to allow taxpayers to file all tax returns, applications, reports, and other documents electronically, telephonically, or by optical means, with no cost to the taxpayer for the electronic filing;
- (5) Lowering the tax liability threshold for any taxpayer required to remit taxes by one of the means of electronic funds transfer from \$100,000 to \$50,000; and
- (6) Repealing Act 22, Session Laws of Hawaii 2010, to reestablish the last day of the month as the deadline for filing and payment of miscellaneous taxes, and to reestablish the quarterly filing and payment of periodic insurance premium taxes.

As affirmed by the record of votes of the members of your Committee on Economic Development and Technology that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 756, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 756, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Economic
Development and Technology,


CAROL FUKUNAGA, Chair



