

# TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: ADMINISTRATION, Clarify receipts and record keeping

BILL NUMBER: HB 828, HD-1

INTRODUCED BY: House Committee on Judiciary

BRIEF SUMMARY: Amends HRS section 231-84 to clarify that the right to inspect books, records and premises shall be allowed only under the following conditions: (1) the licensee fails to openly display the license; and (2) upon request by the special enforcement section if the licensee fails to produce the license.

Amends HRS section 231-96 to provide that it shall be unlawful to knowingly conduct more than ten taxable business transactions per day in cash and fail to: (1) offer a receipt or other record of the transaction; and (2) maintain a contemporaneously generated record of all business transactions conducted each day; whether hand written or generated by a manually operated or electronic cash register. If a person is in compliance with Title 14 at the time of violation, the fine under this section shall not exceed \$100.

Repeals HRS section 231-97 requiring the recording of transactions by a cash register.

EFFECTIVE DATE: January 7, 2009

STAFF COMMENTS: The legislature by Act 134, SLH 2009, enacted a law to address and police the "cash economy" in the state to insure that cash transactions are properly reported and general excise taxes are paid on such transactions. It also provided for the creation of a "goon squad" to police those transactions. Since Act 134 was adopted in 2009, merchants/taxpayers have been pondering compliance with this act since it requires the issuance of receipts for all transactions. However, telephone inquiries to the department of taxation have resulted in various answers from providing receipts **only upon request** to providing receipts on each transaction. In addition, Act 134 also contains a provision relating to failure to record transactions by register.

This measure repeals the penalty for failure to record transactions by cash register and clarifies that a receipt and record of cash transactions may be hand written or generated by a cash register. While this measure is a step in the right direction to clarify the provisions of Act 134, education of the merchants/taxpayers and the issuance of administrative rules would also greatly assist in the compliance of Act 134.

That said, the department must also do its part in educating and informing the public about compliance with the law. If the department's efforts to enforce the way they expect taxpayers to record and report receipts, then they need to do a better job of telling taxpayers about the new requirements before imposing penalties and sanctions.

Digested 2/28/11