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RANDOLF L. M. BALDEMOR
DEPUTY DIRECTOR

HOUSE COMMITTEE ON FINANCE

TESTIMONY OF THE DEPARTMENT OF TAXATION REGARDING HB 973 RELATING TO TAXATION

TESTIFIER: FREDERICK D. PABLO, INTERIM DIRECTOR OF
TAXATION (OR DESIGNEE)
COMMITTEE: FIN
DATE: FEBRUARY 15, 2011
TIME: 3:30PM
POSITION: MOVEMENT OF DUE DATES; OPPOSE REPEAL
OF ELECTRONIC FILING REQUIREMENTS

This measure repeals Act 196, Session Laws of Hawaii 2009 and Act 22, Session Laws of Hawaii 2010.

DUE DATES

The Department supports the movement of the due dates of the general excise and miscellaneous tax returns from the 20th day of the month to the last day of the month. However, the Department requests a delayed effective date of January 1, 2012.

ELECTRONIC FILING

The Department opposes the repeal of the electronic filing requirements contained in the bill. One of the top priorities of this Administration is to increase electronic filing of tax returns. Therefore, the Department opposes any repeal of existing electronic filing mandates.

REVENUE IMPACT

The Department estimates one-time revenue loss of \$18.7 million in FY 2014 due to the timing involved with moving the due dates.

TAXBILLSERVICE

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

BILL NUMBER: HB 973

INTRODUCED BY: Chong, B. Oshiro, M. Oshiro, Say, Yamashita

BRIEF SUMMARY: Amends HRS section 231-9.9 to repeal the provision requiring taxpayers to file electronically and remit to the state any taxes due under Title 14 if they are required to file a federal return and electronically remit any federal taxes to the federal government.

Amends HRS section 237-30 to provide that monthly general excise tax returns shall be filed by the last day of the month following the month in which the general excise tax liability accrues, rather than the 20th of the month. Quarterly general excise tax returns shall be filed by the last day of the calendar month after the close of each quarter rather than the 20th day of the calendar month. Fiscal year quarterly general excise tax returns shall be filed by the last day of the fourth month, seventh month, and tenth month following the beginning of the fiscal year, and before the last day of the close of a fiscal year. Semiannual general excise tax returns shall be filed by the last day of the calendar month following the close of each six-month period. Fiscal year semiannual general excise tax returns shall be filed by the last day of the seventh month following the beginning of a fiscal year or before the last day of the month following the close of a fiscal year.

Amends HRS chapters 237D, 238, 243, 244D, 245, 251 and 431:7 to require an annual, monthly, quarterly, semiannual return or other return that is due on the 20th day of the month to be filed by the last day of the respective month.

EFFECTIVE DATE: Tax years beginning after December 31, 2013

STAFF COMMENTS: Act 196, SLH 2009, accelerated the filing and payment of general excise taxes to the 20th day rather than the last day of the month following the business activity. This was done to create a one-time cash infusion to the state. While it appears that the return to the last day rather than the 20th day of the month will greatly assist taxpayers in filing their general excise tax returns on a timely basis, the adoption of this provision will be welcomed. It should be noted that the last day of the month or the tax period was the day that general excise tax returns were required to be filed since the inception of the general excise tax.

While Act 22, SLH 2010, requires taxpayers subject to sections 237D, 238, 243, 244D, 245, 251 and 431:7 to file annual, monthly, quarterly, or semiannual returns or any other return that is due on the 20th day of the month, this measure provides that the returns shall be filed by the last day of the month. It should be noted that since this measure takes effect on January 1, 2013, if adopted, taxpayers should be given ample notice of the change in filing days before this act takes effect to insure compliance.

Digested 2/14/11



**Testimony to the House Committee on Finance
Tuesday, February 15, 2011 at 3:30 p.m.
Conference Room 308, State Capitol
Agenda #3**

RE: HOUSE BILL NO. 973 RELATING TO TAXATION

Chair Oshiro, Vice Chair Lee, and Members of the Committee:

The Chamber of Commerce of Hawaii ("Chamber") supports the section that repeals the changes that were made to taxation filing dates in Act 196, Session Laws of 2009 in HB 973 relating to Taxation. We appreciate the committee for scheduling this bill.

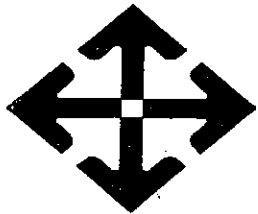
The Chamber is the largest business organization in Hawaii, representing more than 1,100 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of its members, which employ more than 200,000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

This measure repeals the changes that were made to taxation filing dates in Act 196, Session Laws of 2009 and Act 22, Session Laws of 2010.

In the 2009 Legislature, the Chamber did not support Act 196 because of the impact it would have had on small businesses. We believed the measure would have 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, we appreciate the committee for considering a measure that will reestablish the end of the month as the filing deadline as it will remove an unnecessary administrative complexity. Furthermore, we believe electronic filing will make it more efficient for businesses to timely file and pay their taxes.

Thank you for the opportunity to provide testimony.



The Hawaii Business League

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February 15, 2011

Testimony To: House Committee on Finance
Representative Marcus R. Oshiro, Chair

Presented By: Tim Lyons
President

Subject: H.B. 973 – RELATING TO TAXATION

Chair Oshiro and Members of the Committee:

I am Tim Lyons, President of the Hawaii Business League, a small business service organization. We support this bill.

We have had just an incredible number of complaints by small businesses complaining about the new 20th of the month deadline for filing the payment for general excise tax. The problem is that for many small businesses it is the owner who acts as the promoter, the janitor, the bookkeeper and the production line person for many of these businesses. Should they go out of town for a week, it makes it very difficult to get these payments in on time particularly since banks provide their monthly statement at terribly close to the same deadline. Typically you would not want to calculate your GET until you have balanced your checking account.

We also note that we have received a lot of complaints from contractors to say that it is awfully sad that the state cannot pay them for three (3) months, six (6) months or even two (2) years but yet the state wants them to pay their general excise tax ten (10) days earlier than they used to.

Based on the unintended consequences and negative reaction to this law, we would urge this Committee to return the filing deadline to the end of the month.

Thank you.

Natalie J. Iwasa, CPA, Inc.
1331 Lunalilo Home Road
Honolulu, HI 96825
808-395-3233

TO: Committee on Finance

HEARING

DATE: Tuesday, February 15, 2011, 3:30 p.m.

FROM: Natalie Iwasa, CPA

RE: HB 973 Taxation Filing Dates - **SUPPORT**

Aloha Chair Oshiro, Vice Chair Lee and Members of the Committee,

This bill repeals the changes made in Act 196 (2009) and Act 22 (2010), which pushed filing dates to the 20th of the month. I wholeheartedly support this bill and ask you to pass it.

Some of my clients have had a difficult time meeting the general excise tax filing deadline of the 20th of the month. Moving the deadline back to the end of the month allows needed time to complete end-of-month closing procedures in order to be able to file complete and accurate returns.

In addition, please consider requiring the state department of taxation to include the penalty and interest portion of late GET surcharge payments on their penalty notices. Currently, in order to get this information, taxpayers need to call the tax department. This is not only time consuming and inefficient for businesses but also ties up tax employees who need to research the accounts. It is important to make this change so that taxpayers properly report their surcharge payments and do not deduct penalties simply because that information is not provided to them.

Please vote "yes" on this bill.