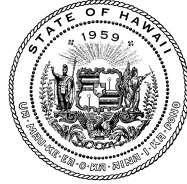


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JOSEPH K. KIM
DEPUTY DIRECTOR

To: The Honorable Jill N. Tokuda, Chair
and Members of the Senate Committee on Ways and Means

Date: February 25, 2016

Time: 1:00 P.M.

Place: Conference Room 211, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: S.B. 2928, S.D. 1, Relating to General Excise Tax Reporting for Special Events.

The Department of Taxation (Department) strongly supports S.B.2928, S.D. 1, an Administration measure, and offers the following testimony for your consideration.

S.B. 2928, S.D. 1, imposes reporting requirements on the operators of special events, which are defined as an event at which there are two or more retailers offering property or services for sale or exchange. Operators of such events will be required to provide to the Department information regarding sellers participating in special events, including the names, addresses, and business license number of the sellers. S.B. 2928, S.D. 1, also requires the Department to create an online form for reporting, and provides the Department the power to issue citations to special event operators who fail to comply with the reporting requirements. The measure is effective upon approval.

Special events represent a special challenge to tax law enforcement, as such events often involve primarily cash-based businesses which may or may not be properly licensed. The Department participates in these events to the extent feasible with its present resources, and frequently finds businesses which are not in compliance with all state tax laws. The Department however cannot have representatives present at all special events taking place within the State. S.B. 2928, S.D. 1, requires the operators of special events to give the Department information on the businesses taking part in the special event. This information will assist the Department in finding businesses not currently in compliance with their general excise tax (GET) obligations and in bringing those businesses into compliance.

S.B. 2928, S.D. 1, imposes requirements that are similar to those faced by special event operators in several other states, including California, New York, and Illinois. Therefore the new requirements should not present an undue burden to the affected businesses. Further, it is likely that a special event operator already possesses the information required to be reported pursuant to this measure as a business or contractual relationship exists between the parties. The Department

supports this measure as a means to bring more cash-based businesses into compliance with the tax laws of the State.

Thank you for the opportunity to testimony in support.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: GENERAL EXCISE, Special Events Reporting

BILL NUMBER: SB 2928, SD-1

INTRODUCED BY: Senate Committee on Commerce, Consumer Protection, and Health

EXECUTIVE SUMMARY: The Department proposes to require an organizer of “special events” such as flea markets and swap meets to provide information to the Department about individuals doing business at those events, in order to bring those typically cash-based businesses into compliance with the law. We only question the need to publish the forms online.

BRIEF SUMMARY: Adds a new section to HRS chapter 237 that would establish requirements for promoters or operators of special events. The requirements include an online form to report the name of each seller, along with the address given by the seller and any general excise tax number provided. The form shall be published on the department’s website. Provides that citations may be issued to noncompliant promoters or operators, including a fine of \$250 for a first violation, \$500 for a second, and \$2,500 for any subsequent violation. A special event is defined as one at which two or more persons offer property or services for sale or exchange, such as swap meets, art shows, cultural festivals or events, carnivals, local fairs, farmers’ markets, sporting events, food truck events, craft fairs, and flea markets. A special event operator is any person who charges a fee or otherwise receives income in exchange for promoting, organizing, managing, or otherwise operating a special event.

EFFECTIVE DATE: Upon approval.

STAFF COMMENTS: This measure was submitted by the Department of Taxation as TAX-08 (16). Apparently the Department is concerned about “cash economy” transactions at these special events, and wants the special event organizers to collect information about the participants such as names, addresses, and license numbers. This would seem to be a reasonable measure to ensure that cash-based businesses at these special events are competing on a level playing field with those of us who abide by the law and pay taxes.

We do question the need to publish the forms online. Tax return information is generally not published in order to allow the person filing the return some protection against collateral use of the information. Publication of the information will allow anyone to use the information, including spammers.

Digested 2/23/2016

TO: Members of the Committee on Ways and Means

FROM: Cycle On Hawaii

HEARING: 1:00 p.m. Thursday, February 25, 2016

SUBJECT: SB 2928 GET For Special Events - **OPPOSED**

Aloha Chair and Committee Members,

Thank you for allowing us the opportunity to provide testimony on SB 2928, which would require operators of special events to collect certain information from sellers. We oppose this bill and ask you to **vote “no.”**

We are a 501(c)(3) organization and periodically hold cyclovias, which would apparently fall under the definition of special events. We hired a firm to assist with the promotion of Hele On Kakaako. Had this bill been in effect, that firm would have been required to obtain and report information about *our* booth vendors to the tax department. Our vendors, “sellers,” should not have to provide information to other parties we work with. This bill would also **drive up costs** for us and other nonprofits.

Please vote **“no”** on this bill.

TO: Members of the Committee on Ways and Means

FROM: Natalie Iwasa
Honolulu, HI 96825
808-395-3233

HEARING: 1:00 p.m. Thursday, February 25, 2016

SUBJECT: SB 2928, SD1 GET For Special Events - **OPPOSED**

Aloha Chair and Committee Members,

Thank you for allowing me the opportunity to provide testimony on SB 2928, SD1, which would require operators of special events to collect certain information from sellers. I oppose this bill.

Many special events are organized by nonprofit organizations that may hire service providers to help with promotion. This bill would require the service provider to obtain and report certain information to the tax department. This would basically turn public relations and other companies into **policing agents for the state and drive up costs** for nonprofits.

I urge you to vote **“no”** on this bill.