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

Date: Tuesday, February 7, 2017
Time: 9:30 A.M.
Place: Conference Room 211, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: S.B. 1007, Relating to Withholding Tax

The Department of Taxation (Department) strongly supports S.B. 1007, an Administration measure, and provides the following comments for your consideration. S.B. 1007 is effective January 1, 2018.

Currently, pursuant to section 236-62(a), Hawaii Revised Statutes (HRS), employers are required to file withholding tax returns on a monthly basis. The Department has the authority to allow employers whose withholding tax liability is \$5,000 or less to file returns on a quarterly basis. The purpose of S.B. 1007 is to allow all employers to file withholding tax returns on a quarterly basis. The Department believes that this will reduce the burden on employers, as well as promote effective tax administration.

S.B. 1007 was not intended to change the payment frequency of withholding taxes in any way. Employers whose annual tax liability is \$5,000 or less will continue to remit the taxes on a quarterly basis and employers whose annual tax liability exceeds \$40,000 will continue to remit the taxes semi-weekly. However, the Department inadvertently omitted an amendment to subsection (c) that would require employers whose annual liability is more than \$5,000 but \$40,000 or less, to continue to remit taxes on a monthly basis.

To correct this inadvertent omission, the Department requests the following amendment to the first sentence of section 235-62(c), HRS, and a new section 235-62(g), HRS:

(c) Every return required under this section shall be accompanied by a remission of the complete amount of tax withheld, as reported in the return; provided that each employer whose liability for taxes withheld exceeds \$40,000 annually shall remit the complete amount of tax withheld on a semi-weekly schedule[-] and provided further that each

employer whose liability for taxes withheld exceeds \$5,000 but does not exceed \$40,000 annually shall remit the complete amount of tax withheld on a monthly schedule.

(g) For purposes of this section, "monthly schedule" means on or before the fifteenth day of the calendar month following the month for which the taxes have been withheld.

Finally, withholding taxes are scheduled to be completed in November of 2017 as part of Rollout 3 of the Tax System Modernization project. The Department intends to provide a simple and efficient electronic withholding tax filing system for employers. Accordingly, the Department strongly supports this measure, and will be able to implement the measure with the current effective date of January 1, 2018.

Thank you for the opportunity to provide comments.



Chamber of Commerce HAWAII
The Voice of Business

**Testimony to the Senate Committee on Ways and Means
Tuesday, February 7, 2017 at 9:30 A.M.
Conference Room 211, State Capitol**

RE: SENATE BILL 1007 RELATING TO WITHHOLDING TAX

Chair Tokuda, Vice Chair Dela Cruz, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **supports** SB 1007, which changes the frequency of filing returns of taxes withheld on wages paid from monthly to quarterly for all employers.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 1,600+ 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 members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

We support the idea of changing employment tax withholding reporting from monthly to quarterly. This lowers the administrative burden on employers as it translates into reporting only four times a year as opposed to twelve times.

Thank you for the opportunity to testify.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

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SUBJECT: INCOME, Change Withholding Return Filing Frequency to Quarterly

BILL NUMBER: SB 1007; HB 1141 (Identical)

INTRODUCED BY: SB by Kouchi by request; HB by Souki by request

EXECUTIVE SUMMARY: This measure aligns federal and state income tax treatment by requiring withholding returns to be filed quarterly, while requiring no change in the frequency of payments (which are more often for larger employers).

BRIEF SUMMARY: Amends HRS section 235-62 to allow Hawaii withholding returns to be filed quarterly rather than monthly. Does not change the frequency of payments.

EFFECTIVE DATE: January 1, 2018.

STAFF COMMENTS: This is an administration measure submitted by the department of taxation TAX-06 (17). The bill recites that quarterly returns of withheld income tax is more efficient than monthly reporting, that DOTAX can adequately reconcile withholding tax payments with quarterly filing, that the bill will change the reporting frequency from monthly reporting to quarterly reporting for all employers, and that the bill does not change the withholding tax payment frequency.

This measure aligns the reporting requirement with federal law, which requires quarterly filing of Forms 941.

Digested 2/5/2017

From: mailinglist@capitol.hawaii.gov
Sent: Friday, February 3, 2017 3:49 PM
To: WAM Testimony
Cc: mendezj@hawaii.edu
Subject: *Submitted testimony for SB1007 on Feb 7, 2017 09:30AM*

SB1007

Submitted on: 2/3/2017

Testimony for WAM on Feb 7, 2017 09:30AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Javier Mendez-Alvarez	Individual	Oppose	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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