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To: The Honorable Linda Ichiyama, Chair;
The Honorable Stacelynn K.M. Eli, Vice Chair;
and Members of the House Committee on Pandemic & Disaster Preparedness

From: Isaac W. Choy, Director
Department of Taxation

Date: March 18, 2021
Time: 10:30 A.M.
Place: Via Video Conference, State Capitol

Re: H.C.R. 130

The Department of Taxation (Department) appreciates the intent of H.C.R. 130 and provides the following comments for your consideration. This measure requests the Director of Taxation to waive penalties and interest sought from small businesses and individual taxpayers as a result of undue hardship related to the Coronavirus Disease 2019 Pandemic.

The Department notes that under Hawaii Revised Statutes section 231-3(12), the Department already has the power to waive penalties and interest, either in whole or in part, other than cases involving fraud or the wilful failure to file a return. The Department is very aware of the enormous economic impacts caused by the pandemic on business and individual taxpayers alike, and is a factor considered by the Department in determining whether to grant relief when requested.

However, the Department must also consider other factors in making such a determination, including (but not limited to) the ability to pay, culpability in the failure to file or pay, length of time of such failure, health factors (including the death, serious illness, or unavoidable absence of the taxpayer, or a death or serious illness in the taxpayer's immediate family), compliance record, etc. As such, the Department will provide relief if after considering all relevant factors, a waiver of penalties and interest is appropriate.

Thank you for the opportunity to provide testimony on this measure.



Chamber of Commerce HAWAII

The Voice of Business

**Testimony to the House Committee on Pandemic & Disaster Preparedness
Thursday, March 18, 2021 at 10:30 A.M.
Written Testimony**

**RE: HCR 130, REQUESTING THE DIRECTOR OF TAXATION TO WAIVE PENALTIES
AND INTEREST SOUGHT FROM SMALL BUSINESSES AND INDIVIDUAL TAXPAYERS
AS A RESULT OF UNDUE HARDSHIP RELATED TO THE CORONAVIRUS DISEASE
2019 PANDEMIC.**

Chair Ichiyama, Vice-Chair Eli, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **supports** HCR 130.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 2,000+ 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.

On March 23, 2020, the Hawaii Department of Taxation (DoTax) issued announcement No. 2020-01¹ that offered COVID-19 pandemic relief for taxpayers affected in the form of filing extensions and waiver of interest, penalties, and additions accrued from April 20, 2020 to July 20, 2020. Unfortunately, as businesses continued to struggle, close, and receive less revenue, they were still obligated to keep up with tax payments.

Sole proprietorships accounted for 78.0% of all Hawaii business entities in 2018². Hawaii businesses, in particular single-member limited liability companies (LLCs) or sole proprietorship filers, would welcome additional relief offered by DoTax.

Thank you for this opportunity to provide testimony.

¹ <https://files.hawaii.gov/tax/news/announce/ann20-01.pdf>

² <https://files.hawaii.gov/tax/stats/stats/businc/2018businc.pdf>



INTERNATIONAL LONGSHORE & WAREHOUSE UNION

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LOCAL 142

The Thirty-First Legislature
Regular Session of 2021

THE HOUSE

Committee on Pandemic & Disaster Preparedness

Rep. Linda Ichiyama, Chair

Rep. Stacelynn K.M. Eli, Vice Chair

State Capitol, Conference Room 309

Thursday, March 18, 2021; 10:30 a.m.

**STATEMENT OF THE ILWU LOCAL 142 ON HCR 130
REQUESTING THE DIRECTOR OF TAXATION TO WAIVE PENALTIES AND
INTEREST SOUGHT FROM SMALL BUSINESSES AND INDIVIDUAL TAXPAYERS
AS A RESULT OF UNDUE HARDSHIP RELATED TO THE CORONAVIRUS DISEASE
2019 PANDEMIC**

The ILWU Local 142 **supports** HCR 130 which requests the Director of Taxation to waive penalties and interest sought from small businesses and individual taxpayers as a result of undue hardship related to the Coronavirus disease 2019 pandemic.

The Covid-19 pandemic has negatively impacted hundreds of thousands of workers in Hawaii and many are still struggling today. Hawaii still has over a 10 percent unemployment rate meaning many working families are still struggling to make ends meet. Waiving penalties and interest will help many working families who need as much financial assistance as possible.

We recommend passage of HCR 130.

Thank you for the opportunity to testify.



**TESTIMONY OF TINA YAMAKI, PRESIDENT
RETAIL MERCHANTS OF HAWAII**

March 18, 2021

Re: HCR 130 REQUESTING THE DIRECTOR OF TAXATION TO WAIVE PENALTIES AND INTEREST SOUGHT FROM SMALL BUSINESSES AND INDIVIDUAL TAXPAYERS AS A RESULT OF UNDUE HARDSHIP RELATED TO THE CORONAVIRUS DISEASE 2019 PANDEMIC.

Good morning Chair Ichiyama and members of the House Committee on Pandemic and Disaster Preparedness. I am Tina Yamaki, President of the Retail Merchants of Hawaii and I appreciate this opportunity to testify.

The Retail Merchants of Hawaii was founded in 1901, RMH is a statewide, not for profit trade organization committed to the growth and development of the retail industry in Hawaii. Our membership includes small mom & pop stores, large box stores, resellers, luxury retail, department stores, shopping malls, local, national, and international retailers, chains, and everyone in between.

RMH is in SUPPORT of HCR 130 Requesting the Director of Taxation to Waive Penalties and Interest Sought from Small Businesses and Individual Taxpayers as a Result of Undue Hardship Related to the Coronavirus Disease 2019 Pandemic.

This pandemic has had many devastating effects on businesses here in Hawaii. Everyday we see businesses struggling to survive and many are closing their doors for good. Retailers have seen their income drop 60-70% of what they made pre pandemic. Cost for shipping and products continue to rise. The government shut down of not only industries, but tourism did not help many of the non-essential businesses. And even during the shut down and downturn in their sales, retailers are still expected to pay rent, utilities, taxes and other operational expenses.

In the 3rd Hawaii Commercial Rent Survey that was taken this past December, 1,126 Hawai'i business owners shared their feedback.

- From April through December 2020, 50% of businesses did not pay rent in full.
- Only 5% of businesses have restructured their lease, and only 14% received rent reduction.
- Over half expect to miss at least one full rent payment between January and June 2021.
- More than 80% of businesses saw revenue decline in 2020, and more than 80% expect their annual revenue to decline in 2021.
- 2 in 3 businesses were significantly impacted or closed by government restrictions in 2020. Nearly the same number of businesses do not expect to survive in 2021.

Our economy's recovery and advancement depend on businesses thriving. Any help businesses can receive is much needed and appreciated. In many cases where businesses are struggling, it may be the deciding factor of whether they remain open or close for good.

Mahalo again for this opportunity to testify.