

**SB 1449**

# TAXBILLSERVICE

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TAX FOUNDATION OF HAWAII

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SUBJECT: GENERAL EXCISE, Amend filing date

BILL NUMBER: SB 1449, SD-1

INTRODUCED BY: Senate Committee on Ways and Means

BRIEF SUMMARY: Amends HRS section 237-30 to provide that monthly general excise returns shall be filed by the 15th of the month rather than the last day of the month and shall be in the form of an estimated payment voucher.

Quarterly general excise tax returns shall be filed on a voucher with payment of taxes due by 15th day of the calendar month after the close of each quarter rather than the last day of the calendar month following the close of the quarter. Fiscal year quarterly general excise tax returns shall be filed by the 15th day of the fourth month, seventh month, and tenth month following the beginning of the fiscal year. Replaces the \$4,000 threshold with \$\_\_\_\_\_.

Semiannual general excise tax returns shall be filed by the 15th day of the calendar month following the close of each six month period, rather than the last day of the calendar month after the close of each six-month period. Fiscal year returns shall be filed by the 15th day of the seventh month following the beginning of the fiscal year and by the 15th day of the month following the close of the fiscal year, instead of the last day of the seventh month following the beginning of the fiscal year and the last day of the month following the close of a fiscal year. Replaces the \$2,000 threshold with \$\_\_\_\_\_.

Requires taxpayers that are required to make estimated tax payments by voucher by the 15th day of the fourth month following the close of the taxpayer's tax year to file a reconciliation return.

Also amends provisions relating to the revocation of a periodic permit to replace the dollar amount with \$\_\_\_\_\_.

Establishes as penalties for the underpayment of any general excise tax, an amount determined at the rate of two-thirds of one percent a month or fraction a month on the amount of the underpayment for the period of the underpayment.

EFFECTIVE DATE: July 1, 2009

STAFF COMMENTS: This measure proposes to change the due date of the monthly, quarterly or semiannual general excise tax returns from the last day of the month following the month the taxes accrued to the 15th day of the month following the month the taxes are accrued and require the payment of estimated general excise taxes due by a voucher.

It appears that the proposed change in the filing date will address the "weekend" effect where the last day of the month following falls on a weekend, pushing collections of the tax into the next month as the mail

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is opened on the following Monday which might be the first day of the next month.

It should be noted that when a similar proposal to move up the filing date of the general excise tax was floated in the early 1990's, the corporate community protested that it would impose an undue burden on their financial and accounting systems as in many cases their records needed to be reconciled after the close of the month in order to insure accuracy in their filings. Whether or not technology has allowed these taxpayers to address those concerns is unclear, but in any case, lawmakers should check with the business community to see if this earlier deadline can be met without undue burden.

Digested 3/3/09

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DATE: March 3, 2009

TO: Senator Donna Mercado Kim, Chair  
Senator Shan Tsutsui, Vice Chair  
Committee on Ways and Means

HEARING DATE: Wednesday, March 4, 2009, 9:30 a.m.

SUBJECT: SB 1449 SD1 - Relating to General Excise Tax

Aloha Chair Kim and Members of the Committee,

I have been working in public accounting for over 15 years. My practice is made up mainly of small businesses and nonprofit organizations. Please consider the following with respect to this bill and the general excise tax.

Currently when an overpayment is reported on the annual general excise tax (GET) return, the state cuts a check and remits it to the taxpayer. There is no mechanism in place for that overpayment to be applied to the following year as there is with income taxes. The state could save some money by allowing this option with respect to the GET.

The bill changes the due date of the annual GET return from the 20<sup>th</sup> day of the fourth month after the close of the business's tax year to the 15<sup>th</sup> day. State income tax returns are due the 20<sup>th</sup> day of the fourth month. Since the annual GET return and income tax returns are often completed at the same time, keeping the due dates the same helps avoid confusion and late filing.

The effective due date of this bill is currently July 1, 2009. Since most GET filers are on a calendar-year basis for reporting, it would make more sense to have an effective date of January 1, 2010. This date would also allow the state more time in which to educate taxpayers as well as prepare any new forms.

Thank you for this opportunity to testify.

Sincerely,



Natalie Iwasa, CPA