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To: The Honorable Marcus Oshiro, Chair
and Members of the House Finance Committee

Date: Wednesday, February 15, 2012
Time: 2:00 p.m.
Place: Room 308, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: H.B. 1980 Relating to Taxation

The Department of Taxation (Department) appreciates the merits of H.B. 1980, and provides the following information for the Committee's consideration.

H.B. 1980 repeals Act 196, Session Laws of Hawaii 2009, and Act 22, Session Laws of Hawaii 2010. Act 196 and Act 22 moved the filing due date for all taxes from the last day of the month to the twentieth of the month. The effective date of the bill is January 1, 2013 and applies to taxable years beginning after December 31, 2012.

The Department notes that the January 1, 2013 effective date for this measure would create a revenue loss for fiscal year 2013, due to the fact that June 30, 2013 falls on a Sunday. As a result, the tax filing and payment deadline would instead fall on Monday, July 1, 2013, the start of the next fiscal year.

In addition to the potential impact on the 2013 fiscal year budget, this measure proposes logistical challenges for the Department. Act 196 and Act 22 were adopted in two different legislative sessions, which allowed for the change to be installed in phases over two years; H.B. 1980 would require the Department to implement the change for all tax forms at one time. Furthermore, the Department has fewer personnel and budget resources at this time, than were available to install the changes in 2009 and 2010.

Overall, the Department's outdated computer system has created significant functionality problems to address which seem simple. The Department asks that should this bill be implemented, that the effective date be further extended to January 1, 2014, and for taxable years after December 31, 2013.

Thank you for the opportunity to provide comments.



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KEALI'N S. LOPEZ
DIRECTOR

TO THE HOUSE COMMITTEE ON FINANCE
TWENTY-SIXTH LEGISLATURE
Regular Session of 2012

Wednesday, February 15, 2012
2 p.m.

TESTIMONY ON HOUSE BILL NO. 1980 – RELATING TO TAXATION.

TO THE HONORABLE MARCUS OSHIRO, CHAIR, AND MEMBERS OF THE
COMMITTEE:

My name is Gordon Ito, State Insurance Commissioner ("Commissioner"),
testifying on behalf of the Department of Commerce and Consumer Affairs
("Department"). The Department limits its testimony to sections 10 and 11 of this bill.
The Department supports sections 10 and 11 of this bill with suggested amendments.

Sections 10 and 11 of this bill amend Hawaii Revised Statutes ("HRS") §§ 431:7-
201(b) and (c) and 431:7-202(f) by changing the filing date of the insurance premium
tax return from the 20th of the month to the last day of the month.

The Department prefers the quarterly tax filing requirement, rather than the
monthly filing. Restoring the quarterly filing requirement will lessen the administrative
burden on Insurance Division operations and reduce the cost of regulatory compliance
on insurers.

The Department respectfully requests:

- (1) Substituting the word "quarterly" for "monthly" on page 17, lines 4, 14, and
22 (appears twice) and on page 18, line 4 (appears twice); and
- (2) Substituting the word "quarter" for "month" on page 17, lines 5, 9, and 16
and page 18, line 2.

We thank this Committee for the opportunity to present testimony on this matter
and ask for your favorable consideration.

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SUBJECT: GENERAL EXCISE, TRANSIENT ACCOMMODATIONS, USE, FUEL, LIQUOR, TOBACCO, TOUR VEHICLE SURCHARGE, INSURANCE PREMIUMS, Amend filing date; filing of tax returns

BILL NUMBER: HB 1980

INTRODUCED BY: Evans

BRIEF SUMMARY: Amends HRS section 237-30 providing that general excise tax returns be filed by the last day of the month following the period in which the general excise tax liability accrues rather than the 20th day of the month.

Amends HRS chapters 237D, 238, 243, 244D, 245, 251 and 431:7 to require an annual, monthly, quarterly, semiannual 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: January 1, 2013; applicable to tax years beginning after December 31, 2012

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. A 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. Therefore, the adoption of this provision is 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 1/1/13, if adopted, taxpayers should be given ample notice of the change in filing days before this act takes effect to insure compliance.

Digested 2/13/12



**Testimony to the House Committee on Finance
Wednesday, February 15, 2012
2:00 p.m.
Conference Room 308, State Capitol
Agenda #1**

RE: HOUSE BILL NO. 1980 RELATING TO TAXATION

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

The Chamber of Commerce of Hawaii ("Chamber") supports HB 1300 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 reestablishes the last of the month as the deadline for filing and payment of general excise taxes.

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.

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

TO: Committee on Finance

FROM: Natalie Iwasa, CPA

HEARING
DATE: 2 p.m. Wednesday, February 15, 2012

RE: HB 1980 Taxation Filing Dates - **SUPPORT**

Aloha Chair 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 general excise tax 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.