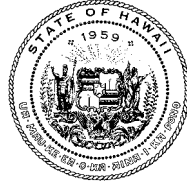


NEIL ABERCROMBIE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

FREDERICK D. PABLO
DIRECTOR OF TAXATION

JOSHUA WISCH
DEPUTY DIRECTOR

To: The Honorable Clift Tsuji, Chair
and Members of the House Committee on Economic Development and Business

Date: Friday, March 15, 2013
Time: 9:00 a.m.
Place: Conference Room 312, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: S.B. No. 1196, S.D. 1 Relating to Cash Economy Enforcement

The Department of Taxation (Department) **strongly supports** SB 1196, SD 1, and provides the following information and comments for your consideration.

S.B. 1196, S.D. 1 will aid the Department in its mission to enforce the State's tax laws by amending Hawaii Revised Statutes (HRS) section 231-96, which requires a vendor to offer receipts and keep contemporaneous records. As proposed, the requirements will apply to all taxpayers engaging in business rather than merely taxpayers who conduct more than ten taxable business transactions per day.

The Department has found that taxpayers use the current law as a justification for failing to keep any records of cash-based business transactions per day. Taxpayers state that they have not done ten cash-based transactions and are not required to keep any record, regardless of the number of cash-based transactions in which they may have actually engaged. Also the records of cash-based businesses are not accurate due to lack of the first ten cash-based transactions.

Casual sales are an occasional or isolated sale or transaction involving tangible personal property by a person; these sales do not require the recording of the sale or a GET license. A common example of a casual sale is a garage sale. These transactions are distinguishable from activity subject to section 231-96, HRS, because the person is not required to be licensed under Chapter 237, Hawaii Revised Statutes, or tangible personal property which is not ordinarily sold in the business of a person who is regularly engaged in business.

Thank you for the opportunity to provide comments

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: ADMINISTRATION, Cash economy enforcement

BILL NUMBER: SB 1196, SD-1

INTRODUCED BY: Senate Committee on Ways and Means

BRIEF SUMMARY: Amends HRS section 231-96(a) to replace the language that “it shall be unlawful to conduct more than ten taxable business transactions per day” with “it shall be unlawful for any person doing business under chapter 237, other than casual sales, to conduct any transaction.”

EFFECTIVE DATE: July 1, 2050

STAFF COMMENTS: This is an administration measure submitted by the department of taxation TAX-15 (13). It appears that under the existing language, taxpayers have stated that they have conducted under ten transactions and are not required to keep any records for the cash-based transaction. This measure would remove that language and subject all transactions, other than casual sales, to the laws regulating cash transactions including offering receipts and keeping timely records of transactions handled each day.

Digested 3/13/13