

TAX FOUNDATION OF HAWAII

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LATE

SUBJECT: ADMINISTRATION, Mandatory Electronic Filing of Tax Returns

BILL NUMBER: HB 2395; SB 2822 (Identical)

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

EXECUTIVE SUMMARY: Requires electronic filing of tax returns. The statute as drafted provides for a reasonable cause exception only if the department adopts rules, and can be improved if the reasonable cause exception is written into the law.

SYNOPSIS: Amends HRS section 231-8.5 to allow the department of taxation to require electronic filing of any tax return, application, report, or other document required under title 14 for the following taxpayers:

- Withholding tax filers, where annual liability exceeds \$40,000.
- Income tax filers, for corporations only.
- General excise tax filers, where annual liability exceeds \$4,000.
- Transient accommodations tax filers, where annual liability exceeds \$4,000.
- All taxpayers subject to the following tax types:
 - Estate / generation-skipping
 - Public service company
 - Franchise
 - Fuel
 - Liquor
 - Tobacco
 - Rental motor vehicle and tour vehicle surcharge

Before it can require electronic filing, the department must provide (1) an electronic filing option to the taxpayer; and (2) no less than 90 days' written notice of its intention to require electronic filing.

Provides that a taxpayer who is required to file but doesn't is penalized 2% of the amount of the tax required to be shown on the return, unless it is shown that the failure is due to reasonable cause and not to neglect.

EFFECTIVE DATE: Upon approval.

STAFF COMMENTS: This is an administration measure submitted by the department of taxation TAX-02 (18). The point of the bill is to require electronic filing for all or part of the tax base. Some of the tax base, however, might not be comfortable with electronic payment, let alone electronic filing. Electronic filing does seem to be the way of the future, with the potential for speeding up the processing of tax returns and at the same time slashing the error rates associated with scanned or manually entered returns.

Digested 1/30/2018