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To: The Honorable David Y. Ige, Chair
and Members of the Senate Committee on Ways and Means

Date: Wednesday, January 30, 2013
Time: 9:00 a.m.
Place: Conference Room 211, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: S.B. 1196 Relating to Cash Economy Enforcement

The Department of Taxation (Department) strongly supports S.B. 1196 and provides the following information and comments for your consideration.

S.B. 1196 will aid the Department in its mission to enforce the State's tax laws by clarifying provisions of 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 fixed number of transactions in 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 don't always reflect the actual gross income of the business due to lack of required record-keeping for 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.