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# President's Message

By Ed Nakano

## The Y-CPA Squad . . . HSCPA's Dedicated and Extraordinary Leaders and Volunteers

My September 2021 KALA President's Message, "*Accounting as Part of a STEM Education*", highlighted the shortage of accounting talent to fill the available jobs nationally and locally. Two congresswomen, Representatives Victoria Spartz, R-Indiana and Haley Stevens, D-Michigan, who are accountants, with congressional bipartisan support from the AICPA, NASBA and IMA, introduced a bill to include accounting as part of the STEM Education beginning in high schools.

In my October 2021 KALA President's Message, "*Accounting is Still and In-Demand Profession with Recruiting Challenges*", I highlighted the college enrollment and recruiting challenges the profession is experiencing. Although Hawaii is not exempt from these challenges, the HSCPA and the Y-CPA Squad have diligently taken actions to address them since 2006.

### Y-CPA Background

In 2006, Executive Director **Kathy Castillo** envisioned that in fifteen years (2021), 70% of the HSCPA members would be reaching or approaching re-

tirement age. She wisely led the efforts to establish the Y-CPA Squad, comprised of young CPA members with a mission to provide opportunities for young CPA professionals to become involved with the profession, give back to the community, and emphasize the value of being a CPA.

### Y-CPA Members Past and Present

Over eighteen members have volunteered since 2006. Former members include: **Jodene Arakaki, Denise Ishikane, Kira Kaneshiro, Kent Kasaoka, Grant Kubota, MJ Saquid, Melanie Shishido, Lani Starkey, Brandon Une and Gordon Tom.**

Current members include (Squad commencement noted in parenthesis): **Darryl Nitta (2006), Yumi Ueda (2006), and Trisha Nomura (2010)** will be retiring from the Squad this year, leaving **Michelle Kaneshiro (2013), Jill Ishimitsu (2014), Adrian Hong (2015), Colin Lee (2016), and Jessica Gluck (2018)** to carry the torch.

Darryl Nitta and Yumi Ueda have been

members of the Y-CPA Squad since inception. Their time and efforts dedicated to promote the mission of the Squad have made a tremendous impact toward its success.

### Notable Accomplishments of the Y-CPA Squad

In 2012, the Y-CPA Squad received the HSCPA President's Award for outstanding service and commitment to the HSCPA and the accounting profession.

The Y-CPA Squad is also proud to have five Squad members selected to participate in the **National AICPA Leadership Academy**, an honor reserved for CPAs age 35 and under and limited to a very select group of CPAs via an extremely competitive screening process. We are proud to recognize the following five Squad members who attended the AICPA Leadership Academy: **Jessica Gluck, Michelle Kaneshiro, Darryl Nitta, Trisha Nomura and Gordon Tom.** I have the privilege of working with all of these individuals and can personally attest to their competence, dedication and leadership skills.

*Continued on page 7*





# Cross-Border Tax & Estate Planning

for Clients with Ties to Japan



## Eric Roose

Eric Roose is a partner in the private client and tax team of Withers Gaikokuhou Jimu Bengoshi Houjin. He leads the Tokyo office and focuses on

international corporate and individual taxation. Eric also leads the international corporate tax practice in the Asia-Pacific region and serves as the Japan tax practice leader. He regularly advises ultra high-net-worth individuals on Japan income and inheritance tax planning and is particularly knowledgeable in the taxation of and use of foreign trusts in regards to Japan.

Having worked in Asia for over 20 years, he is well-versed in the taxation of cross-border transactions across the Asia-Pacific region, involving the US, Japan, Singapore, Korea, Australia, Indonesia, Philippines, Vietnam and China.



## Erin Gutierrez

Erin Gutierrez is an associate in the private client and tax team of Withers Gaikokuhou Jimu Bengoshi Houjin (Tokyo). She regularly

advises high-net-worth individuals and families with US connections on their international tax and estate planning needs.

In addition, she assists high-net-worth individuals with respect to Japan income, gift and inheritance tax planning and the use of foreign trusts in regard to Japan.

Erin's practice also involves advising clients on a broad range of estate planning matters, and she has significant experience in the areas of wills, intestacy, and probate. She has worked in the Asia-Pacific region for over 10 years.

## August 16, 2022 (Tuesday)

1:00 to 4:30 p.m. Hawaii Time



**Former Hawaii residents - and experts - return (virtually) for a special presentation from Japan!**

**The number of clients with ties to Japan continues to grow, with each of these clients requiring tax and estate planning that takes into consideration cross-border tax issues that commonly arise.**

This session provides an overview of the various Japan income, gift, and inheritance tax considerations for clients with Japanese citizenship living in the U.S., and clients living in the U.S. with Japan resident family members.

Without proper planning, Japan tax rates quickly reach top rates of 55%. This session will cover the integrated tax and estate planning solutions for clients with ties to Japan and the United States.

**REGISTER HERE**

Continued from page 5

Y-CPA members **Adrian Hong, Darryl Nitta, Trisha Nomura and Gordon Tom** are also currently serving as HSCPA board members, and **Gordon and Darryl** are Past Presidents. **Trisha Nomura** served as an at-large AICPA Council member and currently serves as a board member for the Association.

Since its inception in 2006, the Y-CPA Squad has organized countless events including community service projects, networking opportunities with professional groups, social events with fellow Y-CPA members, presentations at local schools and colleges, and the “Meet the Pros” event connecting students with accounting professionals (prior to COVID).

The Squad also formed the Y-CPA Committee which allows the members to become more involved with the HSCPA and Y-CPA activities – a great way to learn about the “real world profession” and connect with fellow members.

### Current and Future Goals of the Y-CPA Squad

The mission of the Y-CPA Squad has remained the same since inception. Under the devoted and passionate leadership of Trisha Nomura, they continue to build on the success of the prior years. This year, their focus is on increasing the pipeline of CPAs in Hawaii, presenting workshops for local colleges and adding goals specific to the requirements of the high school and community college curriculums. The goal of these actions is to build a foundation that will evolve to a 2023 summer leadership program

for promising high school students to gain valuable experience and knowledge about the accounting profession.

Much thanks also to Deloitte and the HSCPA for the recently launched DEI CPA Exam review course grant to provide financial assistance to HSCPA members to study and prepare for the CPA Exam. HSCPA and the Squad will continue to promote this review course grant to increase the number of future CPAs.

### Words of Wisdom from the Y-CPA Squad

*“We, in the profession need to keep the momentum and support the efforts of the Y-CPA Squad to promote the ac-*

*counting profession to the future generation. This is necessary to ensure a lasting impact on the future CPAs in Hawaii. The support of the CPA firms, employers, HSCPA Board and its members have made it possible for the Squad to accomplish these goals and will continue to be needed to sustain the future of the profession.”*

On behalf of the HSCPA Board of Directors, its membership and the accounting profession, a sincere Thank You to the Y-CPA Squad and Committee for their dedication, diligence and outstanding efforts in promoting the profession in Hawaii.

**Take care and be safe.**

### INCREMENTAL MATURITY BY NITIN BHOJRAJ, CPA, CFE



### ACCOUNTANT NIGHTMARES





# 3 Factors for Building an Effective Hybrid Work Culture

By Jim Boomer of Boomer Consulting, Inc.



Prior to the pandemic, many firm leaders discouraged employees from working from home, believing face time and in-office collaboration promoted higher productivity, better client service and stronger firm culture.

While there are some negative aspects of the remote experience, such as isolation, longer hours and burnout, most find the benefits outweigh the costs. Hybrid work — a mixture of remote and in-office — has emerged as a way to get the best of both worlds.

## Benefits of hybrid working arrangements

In fact, a [study](#) from MIT Technology Review and Dell Technologies found that

companies that offer hybrid work enjoy:

- Increased employee satisfaction and well-being (56%)
- Increased productivity (52%)
- Improved efficiency (49%)
- Decreased operating costs (45%)
- Improved innovation (44%)
- More effective collaboration (36%)
- Reduced staff turnover (32%)
- Access to a wider talent pool (32%)

## How to make hybrid work effective

Clearly, hybrid work offers many benefits, but it also comes with some complications. Here are three considerations for making hybrid work effective.

### Technology

At the start of the pandemic, many firms had their employees take computers and other equipment home with them.

With hybrid work, will employees have two setups: one at home and one in the office? Or will they bring a laptop back and forth? If they have two complete setups, does the firm pay for one or both? There's no one-size-fits-all answer to these questions, so the right solution will depend on your needs and budget. However, keep in mind that more devices, locations and connections mean more risk exposure. Work with your IT team to ensure your systems are secure, simple to access and effective.

### Process

When firms went fully remote in 2020, they had to reimagine their processes for getting work done and communicating with clients and coworkers. Moving to hybrid work requires the same considerations.



As people return to the office, some people may feel the pull to go “back to how we used to do things.” The problem is, if your former processes were heavily manual and reliant on paper, things can fall through the cracks in a hybrid work environment. Tracking down documents becomes much more challenging if you have paper and digital files spread across multiple systems, and remote team members may not get crucial details relayed during an impromptu in-office meeting.

Make sure your firm’s processes work, and people follow those processes regardless of where they are.

## Talent

One common complaint we’ve heard from firm leaders in the last two years is that firm culture has suffered with team members working remotely. That may lead some firm leaders to believe they need everyone back in the office to preserve company culture, but you can’t assume you’ll return to the same culture you had before the pandemic. Too much has happened to the firm, its people and the world at large.

A better approach is recognizing this time as a unique opportunity to reshape firm culture. It’s not always easy to build culture in a hybrid team. You have to overcome problems like poor communication, an “us versus them” mentality and in-office bias.

Start by outlining your vision and goals

for the kind of firm culture you want to have. Establishing goals will help you develop a roadmap for getting there. For example, do you want people to feel more connected personally? Then start planning team-building events when people are in the office and encouraging “water cooler chat” when remote. Do you want to improve communication? Then set processes around when and how people communicate, set clear expectations, and start modeling transparent, frequent communication in your own role.

Leading in a new hybrid workplace

requires rethinking how work gets done. It’s not always easy, and there will be bumps in the road. Still, as you start seeing successes, your team will enjoy greater productivity, stronger engagement and a better overall experience.

## Do you need help developing a roadmap for the future?

The [Boomer Strategic Planning and Visioning](#) process helps firms build consensus and alignment account their vision, strategic objectives and measurements. [Complete an interest form](#) today so you can start taking the most direct path to achieve the results you want.

*Jim Boomer, CEO of Boomer Consulting, Inc., is an expert on managing technology within an accounting firm. He serves as the director of the Boomer Technology Circles, The Advisor Circle and the CIO Circle. He also acts as a strategic planning and technology consultant and firm adviser to CPA firms across the country. Accounting Today called him a “thought leader who can help accountants create next-generation firms.” Jim is a prolific writer with a monthly column in The CPA Practice Advisor and has been published in a number of industry publications including Accounting Today, Accounting Web, the International Group of Accounting Firms and several state society publications.*

## Hawaii Practices For Sale

**Gross revenues shown:** Honolulu CPA \$1.059M, Kamuela/Waimea Area Tax & Bookkeeping \$250K; Kauai Island CPA \$100K; Kailua/Maui/Honolulu CPA \$530K; Honolulu CPA \$282K. For more information, please call 1-800-397-0249 or visit [www.APS.net](http://www.APS.net) to see listing details and register for free email updates.

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## Encouraging the Next Generation of Accountants

By Jill Ishimitsu

For a while now, we have been talking about the Y-CPA's project to build the CPA pipeline. We identified early on the need to foster students' interest in accounting. We've been doing this by making presentations to high school and university students interested in accounting.

This year, we took a step further. Our objective was to persuade students to pursue a degree in accounting. We researched the typical education routes taken to become accountants and realized the community college students were underserved. We spoke with HSCPA member and Associate Professor Calvin Tan regarding an opportunity to speak with Kapi'olani Community College students and he graciously accepted our offer.

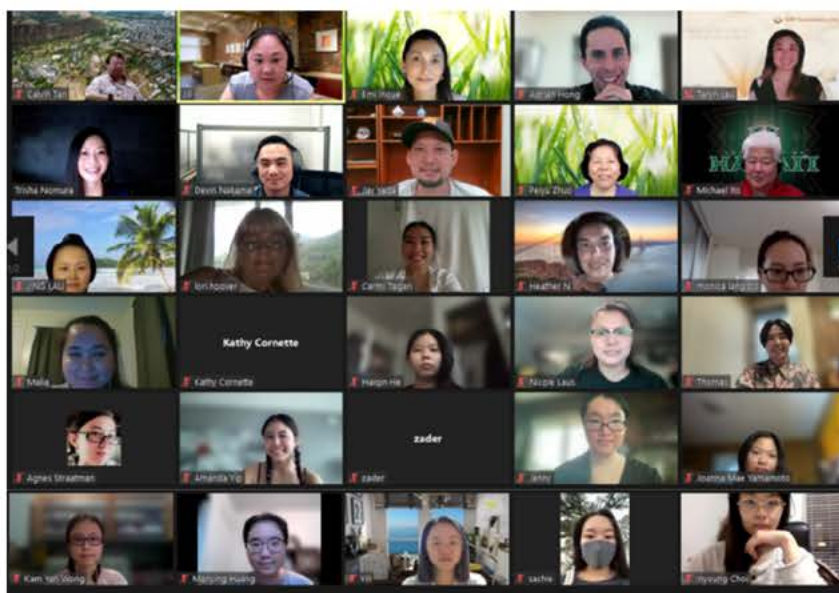
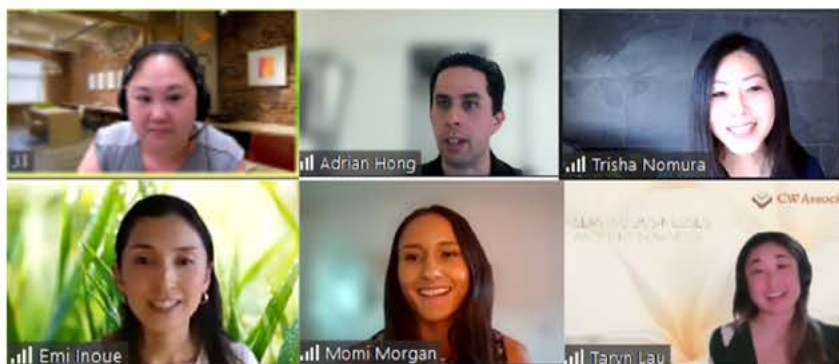
We had several discussions with Calvin regarding the KCC student demographics, accounting curriculum, educational pathways, and students' career plans. This allowed us to cater the presentation to address the various pathways available to students such as transferring to a university after taking core classes, completing their Associates Degree and then pursuing a Bachelor's degree in Accounting, and entering the workforce after graduating with an Associates Degree. Each pathway has its own set of benefits and has the potential to build strong accountants within our profession.

In mid-March, the Y-CPAs held a virtual meeting with over 40 students. We had 5 speakers, two of which attended KCC.

During the presentation, we discussed what an accountant does and its role within a business, the benefits of becoming an accountant, and the spectrum of career opportunities available, including accounting clerks and supervisors, bookkeepers, working at a public accounting firm, data

analyst, controllers, and CFOs. We also discussed how certain KCC classes prepare the students for these career opportunities.

Before opening it up for questions, the students heard from KCC alumnus, Emi Inoue who works at N&K CPAs. She shared her educational and career path, and experiences working as an accountant. Emi explained how her Associates degree and KCC classes are







directly helping her with her work.

During the Q&A session, I was impressed with the students' interest in accounting and drive to improve themselves. The students were curious about the benefits of pursuing an additional educational degree and professional designations, as well as the career progression within an accounting firm for CPAs and non-CPAs. They were encouraged to know the pathways available to them with their Associates degree that includes various advancement opportunities. It was clear the students are eager to learn and are striving to succeed within the industry.

I want to thank our speakers, Trisha Nomura, Adrian Hong, Momi Morgan (EY), Taryn Lau (CW Associates), and Emi Inoue (N&K) for providing valuable information to the students. Everyone did great! I also want to send our appreciation to Calvin Tan and Kathy Castillo for helping to plan and coordinate the event, and to the students of KCC for being so attentive and welcoming.

If you want to help develop the next generation of accountants, please contact us at [info@hscpa.org](mailto:info@hscpa.org). It's an exciting profession with endless opportunities!

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## **June 2: Tax Practitioner's Guide to Accounting and Reporting Issues**

## **June 6: Advanced Trust Issues: A Roadmap for Success in an Increasingly Complex Area**

## **June 16: Guide to the Topic 606 Revenue Recognition Model for All CPAs**

## **June 20: COVID-19 Pandemic Financial Reporting Implications of the COVID-19 Pandemic**

## **June 22: Employee Benefit Plans Identifying the Warning Signs and Addressing Fraud**

## **June 23: Expense vs. Capitalize Getting it Right for Taxes**

## **June 28: K2's Emerging Technologies for Accountants, including Blockchain and Cryptocurrencies**

## **June 29: Tax -Exempt Organizations Planning and Compliance for Tax Matters**



# TAX FOUNDATION OF HAWAII

Hawaii's Watchdog on Taxes & Government



By Tom Yamachika

## A Bold Step Forward from Diapers

Our latest tale of legislative drama starts from diapers. Literally.

[House Bill 2414](#) in this year's legislative session proposes to enact a general excise exemption for diapers.

The bill recites that diapers are a large expense for Hawaii families with small children and are essential to babies' and toddlers' health as they each require about fifty diaper changes per week, or roughly two hundred diaper changes per month. However, according to the National Diaper Bank Network, one in three families struggle to afford clean diapers for their children.

Our general excise tax, the bill supporters point out, is highly regressive,

meaning that people on the lower end of the income spectrum spend comparatively more of their hard-earned dollars on general excise tax. This problem has been known for several decades but has been met with inaction for the most part. It's been well known that in this state, lots of things that are considered necessities of life are subjected to the GET, including food and medical care.

So, the Chamber of Commerce of Hawaii had an interesting comment about this diaper bill. "While the Chamber supports making a general excise tax exemption for the manufacture, production, packaging and sale of diapers, we believe the bill does not go far enough," it said. "The Chamber respectfully asks

the committee to consider an amendment that would make a general excise tax exemption for the gross proceeds or income from the manufacture, production, packaging, and sale of food and medicine. Food and medicine are the most important and basic life necessities in this world, and still some struggle to provide those items for their families. We believe including food and medicine into the general excise tax exemption would further help families in need."

Similar comments were made by the Hawaii Restaurant Association, Hawaii Food Industry Association, and Retail Merchants of Hawaii.

Apparently, that was enough to spur the Senate Committee on Energy, Economic Development, and Tourism into action. On March 18, the committee voted to amend HB 2414 to add an exemption for food and medicine.

An exemption for food and medicine would indeed be a bold step forward. It would undoubtedly have a massive revenue cost, but a massive impact as well.

To be sure, such exemptions have been proposed in the past and have mostly fallen to the wayside. Lots of arguments have broken out, not only here but also in other states that have similar



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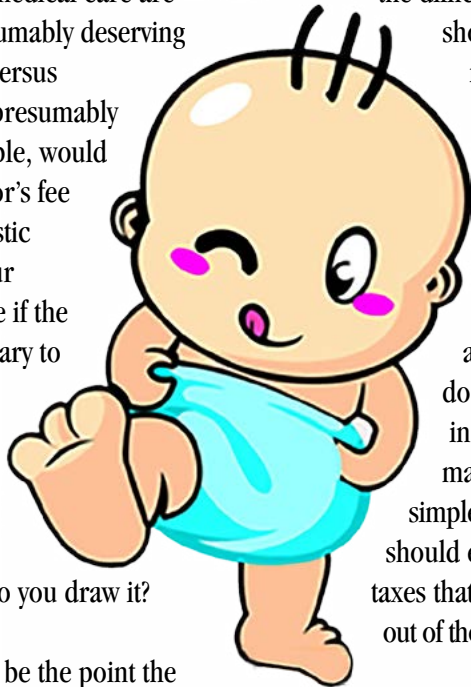
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exemptions in their sales tax, about what kinds of food and medical care are “necessities,” presumably deserving of the exemption, versus “luxuries,” which presumably are not. For example, would you exempt a doctor’s fee for performing plastic surgery? Would your answer be the same if the surgery was necessary to put a person back together after getting in a car crash? If a line needs to be drawn somewhere, how do you draw it?



Senate Committee is trying to make—the difficulty in drawing that line shouldn’t be an excuse for not doing anything about the problem. We have a social problem in that our tax system is regressive. It hits people harder when they have less of an ability to pay it. How do we address that problem in a fair and thoughtful manner, as opposed to simple-mindedly saying that we should enact more and larger taxes that really beat the heck out of those who have some money?

But—and this may be the point the

*Tom Yamachika is President of the Tax Foundation of Hawaii - the ‘watchdog’ that keeps an eye on Hawaii’s taxes. Tom is also the owner of Aloha State Tax, a small law firm with emphasis on State taxes. Prior to going solo and the TFH, Tom was a principal with Acuity LLP where he managed the tax consulting practice, including quality and risk management and practice development.*

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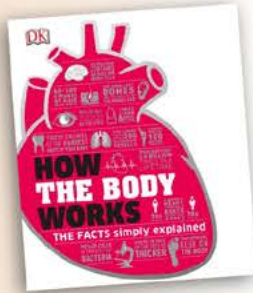


# Norman's Book Review

## "How The Body Works"

by DK

One of my favorite places to look for interesting books is Costco. One day I noticed there were several "how to" books which caught my eye. I opened "How The Body Works" and was blown away by the vibrant colors, detailed yet easy to understand diagrams and descriptions, and thoroughness of how our body was reviewed. Of course, as a CPA, I was intrigued there was no author, just a DK logo, so I researched the logo. Per their website, DK "has over 45 years of publishing experience, and sells its books worldwide in 63 different languages. It has offices in London, New York, Toronto, Indianapolis, Delhi, Melbourne, Munich, Madrid, Beijing and Jiangmen."

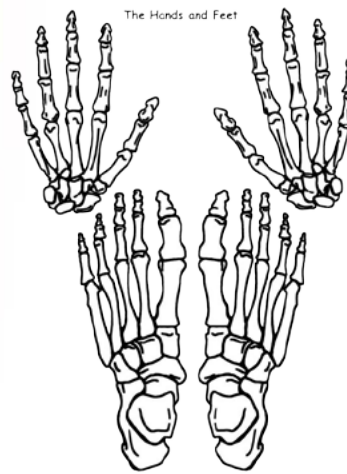


The book has almost 250 pages divided into 10 sections: "Under the Microscope, Holding it Together, On the Move, Sensitive Types, The Heart of the Matter, In and Out, Fit and Healthy, Chemical Balance, The Circle of Life and Mind Matters." The following are some of the interesting information from the book I thought you would like and that gives you a feel of the book's content. The book is worth getting to easily learn more about your body, and to possibly live longer with the knowledge you will gain. Enjoy!

### Nails and Your Health

Doctors will look at your nails to give

them insight if you are suffering from a number of illnesses. Why? "Because nails are non-essential structures, blood and nutrients are diverted away from the nail beds in times of deficiency. For example, splinter hemorrhages may be due to a heart infection."



### Bones

Did you know "more than half of your bones are in your hands and feet?" And "although bone is five times stronger than a steel bar of the same weight, as you know it is brittle and can fracture on impact." It is important you have enough "calcium and/or vitamin D in your body to help prevent osteoporosis, the brittle bone disease."

### Your Teeth

"Much like a fingerprint, each person has a unique bite impression." You start with 20 "milk teeth" by the time you are about three years old, and end up with 32 adult teeth by the time you reach 20 years old. "While tooth enamel is the hardest substance in

your body, it readily dissolves in acid." That's why highly acidic drinks and food are bad for your teeth.

### Osteoporosis Facts

"Worldwide, one in three women and one in five men over the age of 50 experience an osteoporotic bone fracture. Smoking, alcohol and lack of exercise increase the risk of injury." On the other hand, good sources of calcium are "peaches, cheese, fish, soybeans, oranges, broccoli and milk."

### Golfing and Your Brain

For you golfers out there, there is a difference in your brain activity depending on your skill level. Higher skilled golfers have less of their motor area and emotional center being active than beginner golfers. What this means is better golfers have more refined skills and are able to control their emotions and concentrate better. This is another reason to play more golf!



### More Brain Info

"The brain contains 86 billion nerve cells joined by 100 trillion connections, more than the number of stars in the Milky Way."



## Why Playing Chess is Good for You

“When you play chess, you use many regions of your brain.”

## “PRICE” Technique

Many of you CPAs are physically active to offset the stresses in your lives. Spraining a joint is common, with the ankle sprain being the most common. The book recommends the “PRICE” technique to treat your sprain. “PRICE” stands for “**P**rotection – use a support, crutch or sling to relieve pressure, **R**est – keep the injured area free from movement, **I**ce – apply an ice pack to minimize swelling and bleeding, **C**ompression – use an elastic bandage to reduce swelling, and **E**levation – keep the area raised to reduce swelling.”

## Sensitive Fingertips

The book notes “our fingertips can detect differences in texture 10,000 times smaller than the width of a hair. While our palm has 300 nerve endings per square inch, our fingertips have 2,000 nerve endings per square inch!”

## Microbial Party

We know our body is filled with and covered by microbes, mostly good and some not so good. Here are some interesting facts about our body you may not know and probably don’t want to know. “Microbial cells outnumber human cells by 10 to 1. Feet are dominated by fungi – some 100 species thrive there. At least 600 different species of microbes live in our mouth. A study of 90 belly buttons found 1,400 new species of bacteria.”

## T-Cells to the Rescue

“T-cells are a type of white blood cell that plays a key role in dealing with infections by hunting down infected and abnormal cells, then destroying them. That’s why both higher and lower than normal T-cell counts can be an indicator of disease. There are four types of T-cells: **Killers** – they actively seek and kill infected cells, **Helpers** – they spur good cells into action and encourage them to eat invaders, **Regulators** – they calm the immune system, and **Memory** – they remember microbes that have attacked the body before.”

## The Vicious Unhealthy Cycle

“Poor food choices and a sedentary life causes hormone changes that perpetuate the same unhealthy lifestyle. People in this category usually gain weight, exercise less and are less capable of dealing with stress.”



## Hug For a Better Heart

“Hugging releases the hormone oxytocin. This reduces blood pressure which lowers the risk of heart disease.”

## Type 1 and Type 2 Diabetes

“Diabetes affects about 382 million people globally, with Type 1 accounting for 10% of the cases and Type 2 accounting for the remaining 90%.” Diabetes occurs because the body is not producing enough insulin. It is extremely critical to get an annual check up and check your blood because “the symptoms of diabetes occur over time, although some people may not show symptoms at all. In fact, 175 million people globally are thought to be living with undiagnosed Type 2 diabetes.”

## Breastfeeding Benefits

“Breast milk is the most important source of food for a newborn. It is nutritionally rich, supplies friendly bacteria, conveys antibodies and white blood cells that protect against disease, and delivers essential fatty acids that are vital for the development of the brain and eyes.” The book noted breast fed babies “have improved dental health, fewer respiratory problems, lower heart rate, less occurrence of food allergies, and less juvenile arthritis.”

## Causes of Death

The book stated “1% of the world’s population dies every year.” What do people die of? Heart and circulation conditions account for 60% of deaths, lung infections and failures 16%, 5% each due to diarrheal diseases, HIV, traffic accidents and diabetes, and finally 4% due to high blood pressure.

## Major Discussion Points Discussed at the March 17, 2022 Meeting



Submitted by HSCPA  
Group representatives,  
Kurt Kawafuchi and  
Tom Yamachika

DOTAX Practitioner Priority  
Specialist: Wendy Yoshioka-  
Moore, can be reached at  
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(808) 587-1684.



*Working together for a better Hawaii*

## Hawaii Department of Taxation's Director's Discussion Group

The DOTAX Director's Discussion Group met on March 17th to continue dialogue of issues raised by the Group. The following is a summary of the issues discussed.

### Legislative Update

The wholesale GET bill (SB 2020) is dead. The Department will leave it to taxpayers and the courts to litigate if they claim the wholesale rate language is internally inconsistent.

The Foreign Trade Zone (FTZ) bills died. Thus, the Department will continue with its audit initiative against companies who provided services in a FTZ or are claiming benefits unrelated to merchandise being sold out of the zone.

A GET bill that would exempt wharfage and services incidental to cargo loading and unloading is still alive.

The department is now handling several cases involving fines under HRS 237D-4 (e.g., registration as a transient accommodation, display of registration, etc.). The fines average \$80,000 per case. Many of the respondents are unrepresented and are claiming that the penalty is simply too harsh. The department, however, didn't make up the penalty; they're enforcing the law. They recommend that respondents get proper representation.

HB 2177 is the Department's current vehicle for changing administrative provisions. There has been some feedback expressed by testifiers, but the Department is interested in hearing more, and is willing to work with people to address anomalies.

- Director noted that the 3% failure to file by EFT penalty applies when the return is filed late via EFT, and doesn't think that application is proper.
- Several practitioners were concerned about raising the cap on the failure to file penalty to 75%.

- Withholding may be difficult in complex trust situations. For complex and discretionary trusts you might not know how much is income until the end of the taxable year.
- Several expressed concern about penalizing taxpayers for filing a late return when the taxpayer has no liability or is owed money. We asked the Director how much he is proposing as a penalty (because this will be set by rules issued by the Department) and he didn't say.
- Some expressed concern that the bill is going after people who are trying to comply but are having difficulty, while not really addressing the worst of the bad actors.
- It was noted that the bill also imposes preparer penalties if a return is supposed to be filed online but is not.
- Concern was expressed about some who don't want to e-file because of identity theft concerns.

### Conformity Update (SB 3143)

- The current bill conforms to section 2202(a) of the 2020 CARES Act, which allows for a coronavirus-related distribution from certain pension plans, e.g., IRAs, up to \$100,000 and repayment of the distribution over three years. DOTAX said it missed the provision in last year's conformity bill. Conformity is retroactive to 2020, creating an opportunity to amend returns in which Hawaii tax was paid on such a distribution.
- The current bill conforms to the federal



income exclusion for Restaurant Revitalization Fund (RRF) grants. Last year's bill adopted the exclusion for SVOGs. In both cases, associated deductions will be disallowed, unlike federal treatment. In both cases, the grants will be subject to GET.

Regarding the Renewable Energy Technologies Income Tax Credit: Roughly two weeks ago, TIR 2007-02 was suspended, i.e., can no longer be relied upon. Practitioners urged the Department to provide guidance when the suspension of TIR 2007-02 will be effective, i.e., prospectively or retroactively, and whether the guidance may have been relied upon in prior year until the date of the suspension.

The Department acknowledged that TIR 2007-02 was a comprehensive release that was arrived at after consultation with practitioners, industry, and other stakeholders. But within the Department, it was believed that the technology has significantly changed and improved, to the point where people are replacing panels. The Department will be convening a working group from the renewable energy industry and tax professionals to discuss the potential new guidance, including on the issue of whether the replacement of panel(s) will qualify.

## New Forms - What to Watch for During Filing Season

- Disabled taxpayers. The disability certification (Form N-172) needs to be filed first. Without the disability indicator on the system, the system will not allow disability-related exemptions to be claimed, and will send out adjustment letters for disability-related income tax benefits claimed. Allow 2 weeks for Form N-172 to be processed; when it is done, an approval letter will be sent out. If faced with an adjustment letter although the taxpayer is disabled, please get Wendy Yoshioka-Moore involved. She may be able to help fix the return.
- Amended returns: Don't assume that all statements, exhibits, or other documents submitted with the unamended return will carry over to the amended return. Please attach everything required. If

a credit claim on the amended return is disallowed for being out of time although the credit was claimed on the originally filed return, please contact Wendy.

- The most efficient way to contact Wendy is by sending a message through Hawaii Tax Online.
- Newly divorced or separated taxpayers. Carryforwards from, payments on, and refunds from previously filed joint returns can be allocated using new Form L-12. Wet signatures are required for both (former) spouses.
- For a taxpayer that is being pursued for derivative liability as a responsible person, i.e., personal liability, for the tax debt of an entity (see, for example, HRS 237-41.5), (GET) and 235-64 (withholding), new Form D-30 can be used to submit data to Collection Division bearing on whether the taxpayer is a responsible person.
- For taxpayers needing to change information on issued refunds (need a name change, for example), the refund check needs to be returned with new Form L-82.
- New Form G-20 can be used by a business selling to a marketplace facilitator to substantiate its entitlement to the wholesale rate. Under HRS 237-4.5, the marketplace facilitator pays the retail rate and the business selling to the facilitator pays at the 0.5% wholesale rate.



## New Areas on the Department's Website

- Tax Collection Services, <https://tax.hawaii.gov/collections>. Includes checklists of information needed when applying for an Offer in Compromise, among other things.
- Tax Research Insights, <https://tax.hawaii.gov/blog>. This site shares posts written by authors of the Department's annual research reports. The researchers highlight interesting findings from the reports they produce. Each post focuses on a key idea from their research.

## Issues Relating to Offers in Compromise

- Alan Nishigaya is now in charge of the program. He has experience in financial analysis but most of the line collectors do not. OIC applications require financial analysis of the financial condition forms, and most collectors don't have the educational background to do this. This adds to the delays. Offers in compromise must first be reviewed by the collector before being transferred to Alan Nishigaya.
- In addition, the Department currently has a shortage of collectors. Presently, each collector is handling 3000 cases.
- Some practitioners are concerned that collectors do not return phone calls. One practitioner lost a client because the client blamed the delays on the practitioner although the practitioner made several calls to the collector without response. The Department suggested that it would invite collection personnel, including managers, to attend a future discussion group to hear concerns from the practitioners.
- The Director noted that the Department now has a portfolio of \$1.3 billion and it is growing. He is pressuring the collection chiefs to reduce the backlog.
- Those who are experiencing significant delays in a particular collection case should contact Jaysen Morikami, Taxpayer Advocate at (808) 587-1791, taxpayer.



# Cut Your Remote Overhead Expenses

By Randy Johnston of K2 Enterprises



One aftereffect of the COVID-19 pandemic is that it's forever changed the way many of us work. First, there's been a massive transition to remote work. Subsequently, 54 percent of employees want to continue working remotely. As a result, we'd all better get used to our virtual offices. The good news is that this also presents businesses with an opportunity to cut your remote overhead expenses.

If your company was based in an office location before, it could be tempting to continue with your old practices, shifted to a remote setting. But, instead, take the time to carry out an expense

audit. Then, see where you can cut your remote overhead expenses now that you're committed to running your business remotely.

## 1. Remote work can improve productivity

According to some estimates, businesses lose \$600 billion every year due to distractions in the workplace. Employees working from home are generally more productive because they don't have to deal with as many interruptions, distractions, or noises. Not to mention no more office politics!

If your employees are working more productively, then your costs will naturally decrease. Remember that tax requirements can vary between in-office and remote workers. Make sure you meet your specific state's regulations.

## 2. Automate your accounts payable

Automating your accounts payable department can have the double benefit of cutting costs and increasing efficiency. For example, the Institute of Finance and Management (IOFM) estimates that manually processing invoices costs between \$8.78 to \$5.81 per invoice.



Above all, automation can decrease this between \$2.44 and \$1.77. Added up, that's a significant saving. Suppliers like AvidXchange, Bill.com, Corpay One, and Vic.AI each have unique offerings in this area. More options are listed at our website [AccountingSoftwareWorld.com](http://AccountingSoftwareWorld.com) in the Accounts Payable section.

### 3. Outsource specific tasks to cut your remote overhead

Instead of hiring new contracted staff, consider outsourcing tasks to third parties. Outsourcing makes far more sense for occasional jobs as you'll only need to pay for them as and when required. In addition, using freelancers can save you 20-30 percent per year, compared to paying an employee salary once you consider benefits like retirement funds and health insurance. We have discussed this concept in the past with our article on [Outsourcing Tasks Can Do Wonders for Your Small Business](#).

Ensure you have a system for virtually onboarding employees. Use the same method for freelancers completing occasional tasks.

### 4. Update where necessary

Old website content management systems (CMS) might have been the right solution when you launched your business, but as technology changes,

they can end up holding you back. The time and money needed to keep an old monolithic style CMS updated can end up costing you more than making the switch to a new version. CMS that provides microservices has the added benefit of helping to enhance your customer's user experience.

It's also worth checking through which subscription-based tools you might be signed up for yet not using. \$10 per month for access to stock photography or graphic design tools might not seem like much, but by subscribing to a range of different services, they all add up. Make a note of your subscription services and how often you use them per month. For those that aren't paying their way, either cancel or look at switching to a pay-per-use model instead.

### 5. Keep meetings to a minimum to cut your remote overhead

Meetings might be vital to keep everyone in the loop, but do we need so many of them? According to some estimates, businesses spend \$37 billion every year in the US for unproductive meetings. Consider the far better impact if a portion of that time and money was spent elsewhere. The amount of time employees spend in meetings has been steadily increasing since 2008.

Remote meetings are particularly unproductive, as it's hard for attendees to remain engaged. Cut down on all but the most important meetings, and make sure only required staff who need to be there attend. Use these tips to increase meeting productivity:

- Keep meetings under 30 minutes
- Send agendas and supplementary material in advance
- Start and end on time
- Stay focused
- Write down essential action points to distribute after the meeting

If you've decided to make a permanent switch to remote working, there are plenty of ways you can use this as an opportunity to cut your remote overhead expenses and increase your profits as a result. Cloud computing has certainly made this easier. Use these tips to get started!

*Randy is one of the partners at K2 Enterprises ([www.k2e.com](http://www.k2e.com)). In his role at K2 Enterprises, Randy helps to create and deliver technology-focused training to business professionals throughout North America. You may reach Randy at [randy@k2e.com](mailto:randy@k2e.com).*



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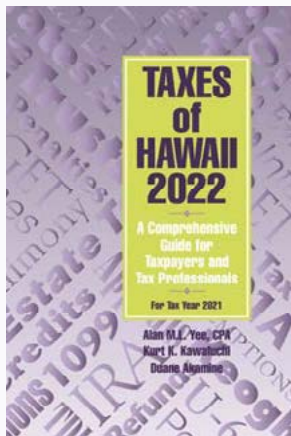


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