
A BILL FOR AN ACT

RELATING TO THE RATE OF INTEREST APPLICABLE TO OVERPAYMENTS OF
TAX.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. Section 231-23, Hawaii Revised Statutes, is
2 amended by amending subsection (d) to read as follows:

3 "(d) This subsection shall apply to a refund for an
4 overpayment of a tax.

5 (1) If the tax return as filed by a taxpayer shows that
6 the amount already paid, whether or not on the basis
7 of installments, exceeds the amount determined to be
8 the correct amount of the tax due, and the taxpayer
9 requests a refund of the overpayment, the amount of
10 overpayment together with interest, if any, shall be
11 refunded in the manner provided in subsection (c).
12 The interest shall be allowed and paid at the rate of
13 [~~two-thirds~~] one-third of one per cent for each month
14 or fraction thereof, beginning with the first calendar
15 day after the due date of the return or, if the return
16 is filed after the prescribed due date, the first
17 month following the month the return is received, and

1 continuing until the date that the director approves
2 the refund voucher. If the director approves the
3 refund voucher within ninety days from the due date or
4 the date the return is received, whichever is later,
5 and the comptroller of the State sends the taxpayer a
6 refund warrant within forty-five days from the date of
7 the director's approval, no interest on the
8 overpayment [~~will~~] shall be allowed or paid. However,
9 if either the director or the comptroller exceeds the
10 time allowed herein, interest will be computed from
11 the first calendar day after the due date of the
12 return, or from the first month following the month
13 the return is received by the director if the return
14 is filed after the prescribed due date, until the date
15 that the comptroller sends the refund warrant to the
16 taxpayer.

17 (2) If any overpayment of taxes results or arises from:

18 (A) [~~the~~] The taxpayer filing an amended return[~~er~~];

19 or [~~from~~]

20 (B) [~~a~~] A determination made by the director;

21 and [~~such~~] the overpayment is not shown on the

22 original return as filed by the taxpayer, interest on

1 the overpayment shall be allowed and paid from the
2 first calendar day after the due date of the original
3 return, ~~or [if the original return is filed after the~~
4 ~~prescribed due date,]~~ from the first month following
5 the month the return is received~~[~~ by the director if
6 the original return is filed after the prescribed due
7 date, to the date that the director signs the refund
8 voucher. If the comptroller does not send the refund
9 warrant to the taxpayer within forty-five days after
10 the director's approval, interest will continue until
11 the date that the comptroller sends the refund warrant
12 to the taxpayer.

- 13 (3) For purposes of a net income tax return, if any
14 overpayment of any taxes results from a carryback of a
15 net operating loss, the overpayment shall be deemed to
16 have been made at the close of the taxable year in
17 which the net operating loss arises. To the extent
18 that the carryback of net operating loss results in
19 reducing the amount of underpayment of taxes for prior
20 taxable year or years, interest ~~[which]~~ that would be
21 chargeable because of the underpayment shall not be

1 applicable with respect to that amount or amounts
2 [~~which~~] that are carried back.

3 (4) In the case of credit, interest shall be allowed and
4 paid from the first calendar day after the due date of
5 the return, the first month following the month the
6 return is received by the director, or the date of
7 payment, whichever is later, to the date the credit is
8 taken; provided that the director may make a refund of
9 any credit to a taxpayer where the taxpayer has no
10 underpayment against which to apply the credit."

11 SECTION 2. Statutory material to be repealed is bracketed
12 and stricken. New statutory material is underscored.

13 SECTION 3. This Act shall take effect upon its approval
14 and apply to taxable years beginning after December 31, 2008.

Report Title:

Tax Administration; Interest Rate Modification

Description:

Changes from 2/3% to 1/3% the interest rate payable to the taxpayer on overpayments of taxes. (SD1)