
A BILL FOR AN ACT

RELATING TO THE TAX LIEN AND ENCUMBRANCE RECORD.

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

1 SECTION 1. The legislature finds that there is a need to
2 expand the ability of state and county agencies to pursue
3 reimbursement of outstanding debts since many debtors ignore
4 payment obligations and recovery efforts by state and county
5 agencies. The legislature finds that encumbrances on real
6 property and motor vehicles are an effective mechanism to
7 significantly increase the likelihood of recovering outstanding
8 debts. This Act clarifies that judgments payable to the State
9 or a county are also valid claims for purposes of encumbrances
10 recorded in the county motor vehicle tax lien and encumbrance
11 record.

12 Currently, agencies may record liens or claims with the
13 director of finance of each county, but are required to pay a
14 statutory fee that is deposited into the general fund. The
15 legislature finds that the fee is hindering some agencies from
16 utilizing the tax lien and encumbrance record to assist in the
17 recovery of outstanding debts owed the agency. This Act also

1 clarifies that state and county agencies are not required to pay
2 a fee for the recording of an entry in the tax lien and
3 encumbrance record.

4 SECTION 2. Section 286-46, Hawaii Revised Statutes, is
5 amended to read as follows:

6 **"§286-46 Tax lien and encumbrance record.** (a) The
7 director of finance shall keep a book or record to be known as
8 the "tax lien and encumbrance record" in which the following
9 information shall be entered:

- 10 (1) Notices of liens for internal revenue taxes payable to
11 the United States and certificates of release thereof;
- 12 (2) Notices of liens [~~or~~], taxes, or judgments payable to
13 the State or county and certificates of release
14 thereof;
- 15 (3) Notices of seizure in accordance with law of any
16 registered motor vehicle upon any writ of attachment,
17 execution, or other process issued under authority of
18 law;
- 19 (4) Notices of restraining order or other order affecting
20 the registration of any registered motor vehicle;

1 (5) Notice of any proceeding or action affecting the title
2 of a registered motor vehicle or the interest of the
3 owner or legal owner thereof; and

4 (6) Notice of release of any of the foregoing.

5 (b) With the exception of delinquent taxes and penalties
6 imposed by section 249-10, the record shall show the year,
7 month, day, hour, and minute at which the notice has been filed
8 with the director of finance, shall show the nature and kind of
9 lien or encumbrance claimed, the amount of tax or other claim,
10 with interest, penalties, and costs, and shall identify the
11 registered motor vehicles affected by the lien or encumbrance,
12 and shall contain such further information as the director of
13 finance may require. The record shall be a public record and
14 may be arranged in such manner as the director of finance
15 determines.

16 The interest of the owner or the legal owner in the motor
17 vehicle shall not be deemed to be affected until the notice
18 referred to in subsection (a) (1) to (5) has been filed with the
19 director of finance in such form as the director of finance
20 shall prescribe for entry in the tax lien and encumbrance
21 record; provided the director of finance [~~may~~] shall require the
22 payment of delinquent taxes and penalties or judgments payable

1 to the State or county as a condition precedent to the vehicle's
2 renewal, registration, or transfer of ownership. The director
3 of finance shall charge a fee of \$5 for each entry made in the
4 tax lien and encumbrance record, which shall be deposited in the
5 general fund. Neither the State, county, nor any political
6 subdivision, shall be charged a fee for any entry made in the
7 tax lien and encumbrance record.

8 Nothing in this section shall be deemed to alter or amend
9 any statute relating to tax liens or the enforcement thereof."

10 SECTION 3. Statutory material to be repealed is bracketed
11 and stricken. New statutory material is underscored.

12 SECTION 4. This Act shall take effect upon its approval.

13

Report Title:

Tax Lien and Encumbrance Record

Description:

Enables encumbrance of motor vehicle titles for outstanding judgments payable to the State or a county by allowing recordation in a county director of finance's "tax lien and encumbrance record" with an exemption for state or county agencies from paying the statutory fee. (SD1)

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