

JAN 26 2011

A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 SECTION 1. The legislature finds that all taxpayers are
2 required to pay taxes on the income that they earn from business
3 conducted under a professional or vocational license. However,
4 some taxpayers file general excise tax returns, but not income
5 tax returns, and some taxpayers fail to file any tax returns.
6 This may result in a shift of tax obligations to other taxpayers
7 since tax rates may have to be increased to ensure adequate
8 funding for state programs.

9 Currently, a tax clearance is required for certain state
10 contracts, including those over \$25,000, for procuring a liquor
11 license, and in certain other instances. Requiring a tax
12 clearance to be submitted with the application for or renewal of
13 a license insures that the holder of a license granted by the
14 State is in compliance with state tax laws. In addition,
15 limiting the tax clearance to income tax will ensure that the
16 information can be provided in a timely manner. Professional or
17 vocational license holders who reside in another state and do



1 not have any Hawaii income can certify that the license holder
2 is exempt from the tax clearance requirement.

3 The purpose of this Act is to require a tax clearance
4 before a professional or vocational license may be issued or
5 renewed.

6 SECTION 2. Chapter 231, Hawaii Revised Statutes, is
7 amended by adding a new section to be appropriately designated
8 and to read as follows:

9 "§231- Tax clearance before issuance and renewal of
10 professional and vocational licenses. No professional or
11 vocational licenses issued by the department of commerce and
12 consumer affairs shall be issued or renewed unless the applicant
13 presents to the issuing agency a certificate signed by the
14 director of taxation, showing that the applicant:

- 15 (1) Does not owe the State any delinquent taxes,
16 penalties, or interest;
17 (2) Has entered into and is complying with an installment
18 plan agreement with the department of taxation for the
19 payment of delinquent taxes in installments; or
20 (3) Is not subject to income taxation in Hawaii."



1 SECTION 3. Chapter 436B, Hawaii Revised Statutes, is
2 amended by adding a new section to be appropriately designated
3 and to read as follows:

4 "§436B- Tax clearance before issuance and renewal of
5 professional and vocational licenses. No professional or
6 vocational licenses issued by the department shall be issued or
7 renewed unless the applicant presents to the issuing agency a
8 certificate signed by the director of taxation, showing that the
9 applicant:

- 10 (1) Does not owe the State any delinquent taxes,
11 penalties, or interest;
12 (2) Has entered into and is complying with an installment
13 plan agreement with the department of taxation for the
14 payment of delinquent taxes in installments; or
15 (3) Is not subject to income taxation in Hawaii."

16 SECTION 4. The department of taxation shall prepare any
17 forms that may be necessary for the tax clearance for the
18 renewal of professional or vocational licenses.

19 SECTION 5. This Act does not affect rights and duties that
20 matured, penalties that were incurred, and proceedings that were
21 begun before its effective date.

22 SECTION 6. New statutory material is underscored.



1 SECTION 7. This Act, upon its approval, shall apply to
2 taxable years beginning after December 31, 2012.

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INTRODUCED BY:

Arvid Ylge



Report Title:

Tax Clearance; Professional or Vocational License

Description:

Requires a tax clearance before a professional or vocational license may be issued or renewed. Applies to taxable years beginning after December 31, 2012.

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