

STAND. COM. REP. NO.

**2435**

Honolulu, Hawaii

MAR 01 2012

RE: S.B. No. 2237  
S.D. 1

Honorable Shan S. Tsutsui  
President of the Senate  
Twenty-Sixth State Legislature  
Regular Session of 2012  
State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred S.B. No. 2237 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose and intent of this measure is to amend the way the partial payment of taxes is allocated between the principal and interest of the taxpayer's tax liability.

More specifically, section 231-27, Hawaii Revised Statutes, presently provides that partial payments of taxes are first applied to the interest of outstanding tax assessments, then to penalties, and then to the principal balance. This measure provides for the payment to be applied to the principal first, then to interest, then to any penalties incurred. This benefits the taxpayer by lowering the principal balance, resulting in smaller compounding interest payments.

The Department of Taxation and the Tax Foundation of Hawaii submitted comments on this measure.

Your Committee notes that, while the Department of Taxation acknowledged that the measure makes Hawaii's law on crediting partial tax payments consistent with federal tax provisions, the department nonetheless expressed concern regarding the timely implementation of the measure, because developing and testing the necessary software to effectuate the change would require an estimated minimum of one year.

SB2237 SD1 SSCR LRB 12-1116.doc



In light of these concerns, your Committee has amended this measure by:

- (1) Changing the effective date to January 1, 2014, to allow more time for the Department of Taxation to develop and test the software necessary to implement the measure; and
- (2) Making technical nonsubstantive amendments for the purposes of clarity and styled.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2237, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2237, S.D. 1, and be placed on the calendar for Third Reading.

Respectfully submitted on  
behalf of the members of the  
Committee on Ways and Means,

  
\_\_\_\_\_  
DAVID Y. IGE, Chair



The Senate  
 Twenty-Sixth Legislature  
 State of Hawai'i

**Record of Votes**  
**Committee on Ways and Means**  
**WAM**

Bill / Resolution No.:* <b>SB 2237</b>	Committee Referral: <b>WAM</b>	Date: <b>2-14-12</b>		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
IGE, David Y. (C)	✓			
KIDANI, Michelle N. (VC)	✓			
CHUN OAKLAND, Suzanne	✓			
DELA CRUZ, Donovan M.	✓			
ENGLISH, J. Kalani	✓			
ESPERO, Will				✓
FUKUNAGA, Carol				✓
KIM, Donna Mercado	✓			
KAHELE, Gilbert	✓			
KOUCHI, Ronald D.	✓			
RYAN, Pohai	✓			
TOKUDA, Jill N.				✓
WAKAI, Glenn	✓			
SLOM, Sam	✓			
<b>TOTAL</b>	<b>11</b>	<b>0</b>	<b>0</b>	<b>3</b>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <div style="text-align:center; font-family: cursive; font-size: 1.2em;">Michelle N. Sidari</div>				
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\*Only one measure per Record of Votes