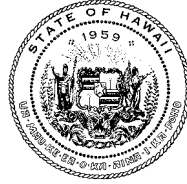


NEIL ABERCROMBIE
GOVERNOR

BRIAN SCHATZ
LT. GOVERNOR



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RANDOLF L. M. BALDEMOR
DEPUTY DIRECTOR

To: The Honorable Clayton Hee, Chair
and Members of the Senate Committee on Judiciary and Labor

Date: Monday, March 12, 2012

Time: 10:00 a.m.

Place: Conference Room 016, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: H.B. No. 2361 H.D. 2 Relating to Debt Collection

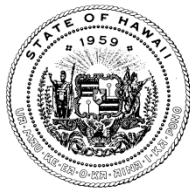
The Department of Taxation (Department) defers to the Department of the Attorney General on the merits of this measure, but offers comments for the Committee's consideration.

H.B. 2361 HD2 provides that executive departments, other than the Department and the University of Hawaii, must refer accounts that are more than 90 days delinquent to the Attorney General, which then has responsibility to collect the accounts. An unspecified portion of any monies recovered will be deposited in a to-be-established fund to be used to pay for the costs of collection, with the balance being returned to the department from which the claim arose. The measure also allows the Attorney General to determine and to write off accounts deemed uncollectable based upon certain criteria.

The measure provides that the Department, along with the Judiciary and the University of Hawaii, may contract with a bonded collection agency for collection of delinquent accounts. However, the Department already has authority under section 231-13, Hawaii Revised Statutes, to retain bonded collection agencies, licensed attorneys, accountants, auditors or other persons for the purposes of assessment, enforcement, or collection of taxes. The Department suggests that the reference to the Department be removed in section 3 of the measure.

Thank you for the opportunity to provide comments.

NEIL ABERCROMBIE
GOVERNOR



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IN REPLY REFER TO:

March 12, 2012

H.B. 2361, H.D. 2
RELATING TO DEBT COLLECTION

SENATE COMMITTEE ON JUDICIARY AND LABOR

The Department of Transportation (DOT) supports the intent of HB 2361HD2 which authorizes the Attorney General to collect accounts delinquent for more than ninety days for the departments. We offer the following comments regarding the present language in the bill.

An exemption should be provided to the DOT due to the fact that we presently have a Memorandum of Understanding with the Department of Attorney General (AG) for the collection of delinquent accounts. We are satisfied with our present arrangement of funding a Deputy Attorney General, one Legal Assistant, and one Office Assistant to provide dedicated resources to pursue recovery of DOT delinquent accounts receivables. This enables specialized assistance to be available for all DOT cases.

The bill also appears to statutorily require that all accounts delinquent for more than ninety days shall be referred to the Attorney General for collection. We are concerned as this removes the discretion of the Department to enter into discussions with the tenant to resolve the matter without involving legal counsel. Oftentimes, collection matters are complicated by other issues which require dialogue and research by the department. It is important for the Department to retain the management ability to decide which delinquencies should be assigned to the AG for collection.

We thank you for the opportunity to testify on this bill.

