

NEIL ABERCROMBIE
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To: The Honorable Marcus R. Oshiro, Chair
and Members of the House Committee on Finance

Date: Thursday, March 29, 2012

Time: 3:00 p.m.

Place: Conference Room 308, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: S.B. No. 2224 S.D. 1 Relating to the Tax Lien and Encumbrance Record

The Department of Taxation (Department) supports this measure.

S.B. 2224 SD1 amends section 286-46, Hawaii Revised Statutes, to allow the recordation of outstanding judgments payable to state or county agencies and requires payment of such judgments as a condition precedent to a vehicle's renewal, registration, or transfer of ownership, and to exempt state or county agencies from paying the statutory fee of five dollars. The measure also allows a taxpayer to provide evidence of having entered into a payment plan with the Department in lieu of fully paying the amount of delinquencies, since the amount of a delinquency may be far greater than what a taxpayer could pay in one installment.

This measure will greatly assist the Department in collecting delinquent tax accounts. The Department also strongly supports the provision waiving the required recordation fee for State and county agencies.

Thank you for the opportunity to provide comments.



**TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
TWENTY-SIXTH LEGISLATURE, 2012**

ON THE FOLLOWING MEASURE:

S.B. 2224, S.D. 1, RELATING TO THE TAX LIEN AND ENCUMBRANCE RECORD.

BEFORE THE:

HOUSE COMMITTEE ON FINANCE

DATE: Thursday, March 29, 2012

TIME: 3:00 p.m.

LOCATION: State Capitol, Room 308

TESTIFIER(S): David M. Louie, Attorney General, or
Michael S. Vincent, Supervising Deputy Attorney General.

Chair Oshiro and Members of the Committee:

The Department of the Attorney General strongly supports this bill.

The purpose of this bill is to expand the existing tax lien statute to assist state and county agencies in recovering moneys owed for outstanding judgments, by encumbering vehicle titles of any debtor that has an outstanding judgment payable to the State or county. This bill will also require the payment of judgments owed to the State or county as a condition precedent to the vehicle's renewal, registration, or transfer of ownership. Additionally, this bill includes a provision to exempt state or county agencies from paying the statutory fee of \$5 for each recordation.

The encumbrance of motor vehicle titles will strengthen the ability of state and county agencies to recover moneys for outstanding judgments owed to any state or county agency. By requiring the payment of outstanding judgments payable to the State or a county before the renewal, registration, or transfer of ownership of the debtor's vehicle, debtors will be motivated to repay debts owed to state or county agencies. Also, the statutory fee of \$5 per recordation hinders some agencies from utilizing the statute to assist in the recovery of outstanding debts owed to the agency. Waiving the \$5 fee will motivate more state and county agencies to use this recovery tool.

This bill requires judgments to be obtained from a court by the State or counties, in order to satisfy any due process issues, since such judgments are rendered only after ample notice and opportunity to be heard.

We respectfully request passage of this bill.