
A BILL FOR AN ACT

RELATING TO DEPOSITS SUBMITTED TO THE DEPARTMENT OF TAXATION.

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

1 SECTION 1. The legislature finds that tax disputes
2 sometimes arise between a taxpayer and the department of
3 taxation. These disputes may involve proceedings that take a
4 long time to resolve. While such disputes are pending, interest
5 accrues on the taxpayer's potential liability. This is a
6 concern because the interest rate that must be paid to the State
7 is approximately eight per cent per year, a much greater rate
8 than is available on risk-free bank deposits. The legislature
9 further finds that the State can assist taxpayers by allowing
10 them to submit a cash deposit with the department for any
11 current or future tax liabilities. While the department has
12 such a process in place, and the federal government allows such
13 deposits, state law is silent on the issue.

14 The purpose of this Act is to conform state law to federal
15 law and implement a streamlined process by which a taxpayer may
16 make a cash deposit with the department of taxation, which may
17 be used by the department to pay any current or anticipated
18 future tax liability imposed under law.



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

4 "§231- Deposits made to suspend the running of
5 interest. (a) Notwithstanding any law or administrative
6 practice to the contrary, a taxpayer may submit a cash deposit
7 to the department for the payment of any current or future
8 liability on any tax the department collects.

9 (b) A taxpayer shall not be required to enter into a
10 formal cash bond-interest tolling agreement before submitting
11 the deposit.

12 (c) To the extent the department applies the deposit
13 toward a tax owed by the taxpayer, the amount applied shall be
14 deemed paid as of the date the department received the deposit.

15 (d) If the department determines that a portion or all of
16 the deposit is not necessary for any current tax liability, the
17 department shall inform the taxpayer in writing of the
18 determination.

19 (e) Unless the department reasonably determines that the
20 collection of tax is in jeopardy, the department shall return to
21 the taxpayer any amount of the deposit (to the extent not used
22 for a payment of a tax) that the taxpayer requests in writing.



1 (f) No taxpayer shall be entitled to earn interest on any
2 deposit submitted pursuant to this section.

3 (g) Before July 1, 2014, the department shall adopt
4 administrative rules in accordance with chapter 91 to facilitate
5 the administration of this section."

6 SECTION 3. New statutory material is underscored.

7 SECTION 4. This Act does not affect rights and duties that
8 matured, penalties that were incurred, and proceedings that were
9 begun before its effective date.

10 SECTION 5. If any provision of this Act, or the
11 application thereof to any person or circumstance, is held
12 invalid, the invalidity does not affect other provisions or
13 applications of the Act that can be given effect without the
14 invalid provision or application, and to this end the provisions
15 of this Act are severable.

16 SECTION 6. This Act, upon its approval, shall apply to
17 taxable years beginning after December 31, 2013.

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H.B. NO. 310

Report Title:

Deposits Against Tax Liability; Interest

Description:

Implements a streamlined process by which a taxpayer may make a cash deposit with the department of taxation, which may be used by the department to pay any current or anticipated future tax liability imposed under law.

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