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A BILL FOR AN ACT

RELATING TO DELINQUENT TAXES.

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

1           SECTION 1. The purpose of this Act is to set a  
2   reasonableness standard for when a tax is deemed uncollectible,  
3   rather than the minimum two-year period currently existing in  
4   the statute. This will allow the department of taxation to  
5   concentrate on the accounts that will likely generate the  
6   greatest recovery to the State. The proposed amendments will  
7   allow the department to consider various factors in determining  
8   when an account is uncollectible. Currently, even if an account  
9   is uncollectible, the department must wait two years before  
10   deeming it uncollectible. This creates undue stress and anxiety  
11   to the taxpayer who may have health or other insurmountable  
12   financial problems. This also will relieve the department of  
13   keeping track of numerous small claims where the costs of  
14   collection, including employee time, will exceed any expected  
15   recovery.

16           SECTION 2. Section 231-32, Hawaii Revised Statutes, is  
17   amended to read as follows:

1           "§231-32 Records of delinquent taxes, uncollectible  
2 delinquent taxes. The department of taxation shall prepare and  
3 maintain, open to public inspection, a complete record of the  
4 amounts of taxes assessed in each district that have become  
5 delinquent with the name of the delinquent taxpayer in each  
6 case, but it shall not be necessary to periodically compute on  
7 the records the amount of penalties and interest upon delinquent  
8 taxes.

9           The department may from time to time prepare lists of all  
10 taxes delinquent which in its judgment are uncollectible. Such  
11 taxes as the department finds to be uncollectible shall be  
12 entered in a special record and be deleted from the other books  
13 kept by the department, and the department shall thereupon be  
14 released from any further accountability for their collection;  
15 provided that no account shall be so deleted [~~until it shall~~  
16 ~~have been delinquent for at least two years.~~] except for  
17 reasonable cause, considering such factors as the financial  
18 condition of the taxpayer, inability to locate the taxpayer,  
19 costs of collection against the amount of tax owed, health of  
20 the taxpayer, and future income prospects of the taxpayer. Any  
21 items so written off may be transferred back to the delinquent

1 tax roll if the department finds that the alleged facts as  
2 previously presented to it were not true, or that such items are  
3 in fact collectible."

4 SECTION 3. Statutory material to be repealed is bracketed  
5 and stricken. New statutory material is underscored.

6 SECTION 4. This Act upon its approval shall take effect on  
7 January 1, 2013.

8  
9 INTRODUCED BY:



10 BY REQUEST

JAN 22 2013

H.B. NO. 956

**Report Title:**

Delinquent Taxes

**Description:**

Establishes a reasonableness standard for when a tax is deemed uncollectible.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

JUSTIFICATION SHEET

DEPARTMENT: Taxation

TITLE: A BILL FOR AN ACT RELATING TO DELINQUENT TAXES.

PURPOSE: The purpose of this Act is to set a reasonableness standard for when a tax is deemed uncollectible, rather than the minimum two year period currently existing in the statute.

MEANS: Amends section 231-32, Hawaii Revised Statutes.

JUSTIFICATION: Using a reasonableness standard to determine when a tax is deemed uncollectible, rather than a fixed minimum two-year period as currently required, allows the department to prioritize on the accounts that will likely generate the greatest recovery to the State. The proposed amendments will allow the department to consider various factors in determining when an account is uncollectible. Currently, even if an account is uncollectible, the department must wait two years before deeming it uncollectible, regardless of amount. Administratively tracking of claims which may not result in any recovery or where the claim amount is very small, is an inefficient use of Department resources. Providing the Department with flexibility to deem accounts uncollectible prior to a fixed two-year period allows the Department to focus its resources to more productive tasks.

Impact on the public: There is minimal impact on the public.

Impact on the department and other agencies: The change enables the department to focus

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its limited resources on tasks that will result in the greatest chance of recovery of taxes owed to the State.

GENERAL FUND: None. Any account deemed uncollectible under the reasonableness standard would have been deemed uncollectible under the two-year rule. Only the set passage of time period for making such a determination is eliminated. It is expected that this will allow the department to pursue cases where its efforts will result in a greater recovery.

OTHER FUNDS: None.

PPBS PROGRAM  
DESIGNATION: None.

OTHER AFFECTED  
AGENCIES: None.

EFFECTIVE DATE: January 1, 2013