

---

---

# A BILL FOR AN ACT

RELATING TO DELINQUENT TAXES.

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

1           SECTION 1. The legislature finds that, currently, if an  
2 account is uncollectible, the department of taxation must wait  
3 two years before the account is deemed uncollectible. This  
4 creates undue stress and anxiety to the taxpayer who may have  
5 health or other insurmountable financial problems. The  
6 legislature believes that authorizing the department of taxation  
7 to consider various factors, other than the two-year time limit  
8 in determining when an account is uncollectible, will permit the  
9 department to concentrate on the accounts that will likely  
10 generate the greatest recovery to the State. This approach will  
11 also relieve the department of the need to track numerous small  
12 claims when the costs of collection, including employee time,  
13 will exceed any expected recovery.

14           The purpose of this Act is to set a reasonableness standard  
15 for deeming taxes uncollectible, rather than waiting for the  
16 minimum two-year period currently required by statute.

17           SECTION 2. Section 231-32, Hawaii Revised Statutes, is  
18 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, may prepare lists  
10 of all [~~taxes~~] delinquent [~~which~~] taxes that in its judgment are  
11 uncollectible. [~~Such taxes as~~] Taxes that the department finds  
12 to be uncollectible shall be entered in a special record and be  
13 deleted from the other books kept by the department [~~, and the~~].  
14 The department shall [~~thereupon~~] then be released from any  
15 further [~~accountability for their collection; provided that no~~]  
16 duty to collect these taxes. No account shall be [~~so~~] deleted  
17 [~~until it shall have been delinquent for at least two years.~~]  
18 unless the department finds that there is reasonable cause to  
19 delete the account, considering factors such as the financial  
20 condition of the taxpayer, inability to locate the taxpayer,  
21 costs of collection against the amount of tax owed, health of  
22 the taxpayer, and future income prospects of the taxpayer. Any



1 items [~~se~~] written off may be transferred back to the delinquent  
2 tax roll if the department finds that the alleged facts as  
3 previously presented to it were not true[~~r~~] or that [~~such~~] the  
4 items are in fact collectible."

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

7 SECTION 4. This Act, upon its approval, shall take effect  
8 retroactive to January 1, 2013.



**Report Title:**

Delinquent Taxes

**Description:**

Establishes a reasonableness standard for determining when a tax is uncollectible. (SD1)

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

