

Honolulu, Hawaii  
February 15, 2013

RE: H.B. No. 425  
H.D. 1

Honorable Joseph M. Souki  
Speaker, House of Representatives  
Twenty-Seventh State Legislature  
Regular Session of 2013  
State of Hawaii

Sir:

Your Committee on Finance, to which was referred H.B. No. 425  
entitled:

"A BILL FOR AN ACT RELATING TO OFFERS IN COMPROMISE,"

begs leave to report as follows:

The purpose of this measure is to require offers in  
compromise that are submitted to the Department of Taxation to be  
accompanied by certain payments.

The Tax Foundation of Hawaii submitted comments on the  
measure.

Your Committee finds that an offer in compromise, if accepted  
by the Department of Taxation, is an agreement between a taxpayer  
and the Department of Taxation that settles the taxpayer's tax  
liabilities for less than the full amount owed. Under current  
administrative rules, each offer in compromise submitted to the  
Department of Taxation must be accompanied by a payment in the  
amount of the compromise, or a substantial deposit if the offer  
allows installment payments.

Your Committee also finds that this measure would codify the  
requirement that offers in compromise be accompanied by twenty per  
cent of the amount offered, in the case of a lump-sum offer in  
compromise, or the first installment, in the case of a periodic  
payment offer in compromise. Your Committee recognizes that these

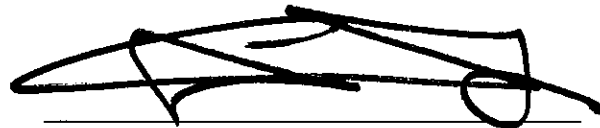


payment requirements are similar to those that apply to offers in compromise under the Internal Revenue Code.

Your Committee has amended this measure by making technical nonsubstantive amendments for the purposes of clarity and style.

As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 425, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 425, H.D. 1, and be placed on the calendar for Third Reading.

Respectfully submitted on  
behalf of the members of the  
Committee on Finance,



SYLVIA LUKE, Chair



