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## **LATE TESTIMONY**

**To:** The Honorable Sylvia Luke, Chair  
and Members of the House Committee on Finance

**Date:** Wednesday, February 13, 2013  
**Time:** 2:00 p.m.  
**Place:** Conference Room 308, State Capitol

**From:** Frederick D. Pablo, Director  
Department of Taxation

**Re:** H.B. 425 Relating to Offers In Compromise

The Department of Taxation strongly supports H.B. 425, which conforms to the requirements set forth by the Internal Revenue Service (IRS) for offers in compromise (OIC) submitted to the Department.

H.B. 425 requires that any offer in compromise submitted to the Department be accompanied by 20% of the amount of the offer in cases of a lump-sum OIC and the first proposed payment in the case of a periodic payment OIC. Low-income taxpayers who meet the thresholds set annually by the IRS would not be required to submit a payment with an OIC submission. In cases where an OIC is rejected, the payment amount would be applied to the tax liability of the taxpayer that was first assessed. This measure is effective upon its approval.

Conformance with the IRS rules and regulations substantially assists both the taxpayer and the Department, as clear guidance on the issue is available and taxpayers do not have to be concerned with differing procedures for federal and state tax purposes. In addition, the Department believes that requiring a payment with the submission of an OIC will reduce the number of frivolous OIC applications files.

The bill would not bring in any material amount of additional revenue that would not otherwise have been collected.

Thank you for the opportunity to provide comments.