

# TAXBILLSERVICE

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SUBJECT: ADMINISTRATION, Collection of uncollectible taxes

BILL NUMBER: SB 1187; HB 956 (Identical)

INTRODUCED BY: SB by Kim by request; HB by Souki by request

BRIEF SUMMARY: Amends HRS section 231-32 to delete the requirement that the department of taxation shall not close and delete an uncollectible tax account until it has been delinquent for at least two years. Allows the department to delete such an account due to the financial condition of the taxpayer, inability to locate a taxpayer, costs of collection, health of the taxpayer and future income prospects of the taxpayer.

EFFECTIVE DATE: January 1, 2013

STAFF COMMENTS: This is an administration measure submitted by the department of taxation TAX-05 (13). It appears that uncollectible delinquent tax accounts that remain on the books of the department of taxation cannot be deleted until the two-year period has elapsed. This results in an additional administrative burden for the department as it must track these accounts, even though there is little or no chance of recovering any additional monies from these accounts.

The adoption of this measure would allow the department to purge these accounts and the additional administrative burden necessary to keep them open if it deems there is “reasonable cause, considering such factors as the financial condition of the taxpayer, inability to locate the taxpayer, costs of collection against the amount of the tax owed, health of the taxpayer, and future income prospects of the taxpayer.”

Digested 1/28/13