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To: The Honorable David Y. Ige, Chair  
and Members of the Senate Committee on Ways and Means

Date: Wednesday, January 30, 2013  
Time: 9:00 a.m.  
Place: Conference Room 211, State Capitol

From: Frederick D. Pablo, Director  
Department of Taxation

Re: S.B. 1187 Relating to Delinquent Taxes

The Department of Taxation (Department) strongly supports S.B. 1187 and provides the following information and comments for your consideration.

S.B. 1187 establishes a reasonableness standard to determine when a tax is deemed uncollectible, rather than strict fixed time period. The measure is effective upon approval, and takes effect on January 1, 2013.

At the present time, the Department must wait two years before deeming an account uncollectible. However, in many cases, this determination can be made much earlier, taking into consideration such factors as bankruptcy of the taxpayer, catastrophic loss of health or property of the taxpayer, inability to locate the taxpayer, etc. Nevertheless, the statute as currently written requires that the Department keep the files open, and from time to time review the case even though no change has occurred.

Maintaining this type of file as an open file has little or no benefit to the State. A reasonableness standard would allow clearly uncollectible case files to be closed pending some significant change of events. It should be noted that an uncollectible case file may be returned to active collections if changes in circumstances indicate that the liability become collectible.

Thank you for the opportunity to provide comments.