

TAXBILLSERVICE

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TAX FOUNDATION OF HAWAII

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SUBJECT: ADMINISTRATION, Collection of delinquent taxes

BILL NUMBER: SB 1206; HB 975 (Identical)

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

BRIEF SUMMARY: Amends HRS section 231-13 to clarify that the department of taxation shall also be responsible for the collection and administration of all taxes including delinquent taxes.

EFFECTIVE DATE: Upon approval

STAFF COMMENTS: This is an administration measure submitted by the department of taxation TAX-31 (13). The proposed measure merely clarifies that the department of taxation has jurisdiction over the collection of all taxes including delinquent taxes and also that any compensation made to a third party assisting the department may be paid out of taxes recovered from a taxpayer.

Digested 1/29/13

TO: Members of the Committee on Ways and Means

FROM: Natalie Iwasa, CPA
Honolulu, HI 96825
808-395-3233

HEARING: 9 a.m. Wednesday, January 30, 2013

SUBJECT: SB 1206 Relating to Tax Collection - **COMMENT**

Aloha Chair and Senators,

Thank you for allowing me to provide testimony on SB 1206, which clarifies the responsibilities of the director of taxation.

When a taxpayer with revenue from Oahu has not paid general excise tax (GET) on time, the Department of Taxation sends a letter indicating any balance due for GET, penalties and interest on the GET and the surcharge amount. The balance due for the Oahu surcharge, however, is only indicated as a single amount – it does not indicate the split between penalties and interest. By not including the split for penalties, which are not deductible for state income tax purposes, **the state is not providing taxpayers with enough information to properly prepare income tax returns.** This likely results in penalties improperly being deducted. (During the first year or so of the surcharge tax, penalties and interest were separately stated on letters to taxpayers.)

Please consider amending this bill to require the director to indicate the amount of penalties, interest and balance of surcharge tax due for delinquent taxes.