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## A BILL FOR AN ACT

RELATING TO TAXATION.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

SECTION 1. The legislature finds that the existing law on partial payment of taxes requires that moneys received by the department of taxation for the partial payment of a tax first be applied to interest, then to penalties, then finally to principal. The legislature also finds that previous bills have attempted to amend this law, thereby requiring the department of taxation apply partial payments equally toward interest, penalties, and principal.

A change in the repayment schedule would eliminate this inequality and treat all portions of tax repayment equally. Allowing taxpayers to repay their tax-debt principal at the same time as penalties and interest would make it easier for them to repay their entire debt. Repaying taxes in a timelier manner reduces taxpayers' tax burden, which is especially important in light of the high cost-of-living in the State. All properly due principal and penalties would still be paid in full by taxpayers along with any applicable interest, which incorporates the time value of money for the State.



The purpose of this Act is to require that a partial payment of taxes be credited in equal amounts to interest, penalties, and principal.

SECTION 2. Section 231-27, Hawaii Revised Statutes, is amended to read as follows:

"**§231-27 Partial payment of taxes.** Whenever a taxpayer makes a partial payment of a particular assessment of taxes, the amount received by the department of taxation shall ~~[first]~~ be credited to interest, ~~[then to]~~ penalties, and ~~[then to]~~ principal ~~[-]~~ in equal amounts."

SECTION 3. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 4. This Act shall take effect upon its approval.

INTRODUCED BY:

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# H.B. NO. 2370

**Report Title:**

Taxation; Distribution of Partial Payment

**Description:**

Amends section 231-27, Hawaii Revised Statutes, to require that a partial payment of taxes be credited in equal amounts to interest, penalties, and principal.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

