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# A BILL FOR AN ACT

RELATING TO TAXATION.

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

1           SECTION 1. The legislature finds that the existing law on  
2 partial payment of taxes requires that moneys received by the  
3 department of taxation for the partial payment of a tax be  
4 applied first to interest, then to penalties, and then finally  
5 to principal. The legislature also finds that previous measures  
6 have attempted to amend this law, to require the department of  
7 taxation to apply partial payments equally toward interest,  
8 penalties, and principal.

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



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

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

6           "**§231-27 Partial payment of taxes.** Whenever a taxpayer  
7 makes a partial payment of a particular assessment of taxes, the  
8 amount received by the department of taxation shall [~~first~~] be  
9 credited to interest, [~~then to~~] penalties, and [~~then to~~]  
10 principal[-] in equal amounts."

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 Statutory material to be repealed is bracketed  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

13           SECTION 4. This Act shall take effect on July 1, 2030.



**Report Title:**

Taxation; Distribution of Partial Payment

**Description:**

Requires that partial payment of taxes be credited in equal amounts to interest, penalties, and principal. Effective July 1, 2030. (HB2370 HD1)

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

