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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           Allowing taxpayers to repay their tax-debt principal before  
10 penalties and interest would make it easier for them to repay  
11 their entire debt. Repaying taxes in a timelier manner reduces  
12 taxpayers' tax burden, which is especially important in light of  
13 the high cost-of-living in the State. All principal and  
14 penalties properly due to the State would still be paid in full  
15 by taxpayers along with any applicable interest.

16           The purpose of this Act is to require that a partial  
17 payment of taxes be credited first to principal, then to  
18 interest, and then to penalties.



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

3 "~~§231-27~~ **Partial payment of taxes.** Whenever a taxpayer  
4 makes a partial payment of a particular assessment of taxes, the  
5 amount received by the department of taxation shall first be  
6 credited to [~~interest,~~] principal, then to [~~penalties,~~]  
7 interest, and then to [~~principal.~~] penalties."

8 SECTION 3. This Act does not affect rights and duties that  
9 matured, penalties that were incurred, and proceedings that were  
10 begun before its effective date.

11 SECTION 4. Statutory material to be repealed is bracketed  
12 and stricken. New statutory material is underscored.

13 SECTION 5. 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 first to principal, then to interest, and then to penalties. Effective 7/1/2030. (SD1)

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

