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The Honorable David Y. Ige, Chair  
Senate Committee on Ways and Means  
Conference Room 211  
State Capitol  
415 South Beretania Street  
Honolulu Hawaii., 96813

RE: HB 2370

SUBJECT: Move HB 2370

Dear Chair Ige,

This letter is in support of HB 2370 and ask that you move this bill. The Director of Taxation has stated that this already administratively possible to accommodate request to pay across the board on interest, penalties, and principal and in certain circumstances but yet what circumstances is not clarified by the Director of Taxation .Since march of 2008 I have personally made payments in person so I could meet other tax payers to talk and listen to their problems with their taxes. Also the Tax Department has always taken payments and applied them to the oldest tax because that is their policy (not the law) but that is not always beneficial to the taxpayer because is they are applying it to the oldest tax it has the higher interest, it is better to apply it to the most recent years because interest is smallest and you can move to the penalty and principal faster therefore paying off the year in questions faster and paying less interest. The longer you don't touch the recent years it lets a high amount of taxes owed gain a substantial amount of interest (%) before getting to it when it becomes the oldest tax. The Director of Taxation is aware of this practice at the Department of Taxation but does nothing about it because this would also be considered lost revenue. There is no law that allows this practice to gain revenue but yet they do it with no hesitation. This Bill HB (2370) is to encourage people to pay more revenue which would be worth the small amount of revenue the Department of Taxation is assuming it will lose. There is a time for change and fairness in the Department of Taxation and that time is now when change is taking place.

Hawaii, Revised Statute: Section 231-27 was enacted in 1949 (S.B. No. 412, Act 312, Session Laws of Hawaii 1949) and the distribution of partial payment of taxes has not been amended since the original enactment. Except for the Committee Reports issued by the Committee on Ways and Means (SSCR 387) and Committee on Finance (HSCR 86), there is no explanation for the rational or legislature intent in the enactment of the law the Committee on Ways and Means (SCCR) stated that.

The purpose of this bill is to require all partial payments of a particular assessment of taxes to be devoted first to delinquent interest, then to penalties and then to principal. At the time present time, a taxpayer has no choice. Since the delinquent interest only on principal and penalties, it is obvious that one devoting his partial payment first to principal or penalties is in a better position than the devoting his partial payment first to interest. The bill would remedy this inequality

Tax Foundation of Hawaii stated in testimony (no opposition or support of HB 2370), That the Federal Government implemented an additional payment option on Jan 17, 2005 known as the partial payment installment agreement (PPIA). The new payment option became possible of the American Jobs Creations Act of 2004.

The Director of Taxation has testified on record about leveling the field between Federal, State, and Taxpayer. He had referred to the Sarbanes-Oxley Act. He says penalties are drawn from the Internal Revenue Code (IRC) sections 6694 and 7407. Sometimes leveling the field such as HB 2370 affects revenue. The people are in hard economic times in step with the State being in hard economic times. The Director has constantly stated fairness HB 2370 does not take away any money owed the state. Should HB 2370 allow taxpayers to pay off their taxes faster why would the Dept of Taxation oppose such a possibility of a taxpayer paying their debt faster .Why has the Department of Taxation become so addicted to penalties and interest? The taxpayer is also paying for the addiction of penalties, because they cannot deduct the penalties from their income because they are not tax deductible and must leave them as income and are taxed again

I strongly support HB 2370 and encourage you to move this bill and support its passage. We are all in economic hard times let's do it together, a humble constituent

Very truly yours  
Gerald Gregory  
(Humble Constituent)