
A BILL FOR AN ACT

RELATING TO THE RATE OF INTEREST APPLICABLE TO UNDERPAYMENTS AND
NONPAYMENTS OF TAX.

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

1 SECTION 1. Section 231-39, Hawaii Revised Statutes, is
2 amended by amending subsection (b) to read as follows:

3 "(b) There shall be added to and become a part of the tax
4 imposed by such tax or revenue law, and collected as such:

5 (1) Failure to file tax return. In case of failure
6 to file any tax return required to be filed on
7 the date prescribed therefor (determined with
8 regard to any extension of time for filing),
9 unless it is shown that the failure is due to
10 reasonable cause and not due to neglect, there
11 shall be added to the amount required to be shown
12 as tax on the return five per cent of the amount
13 of the tax if the failure is for not more than
14 one month, with an additional five per cent for
15 each additional month or fraction thereof during
16 which the failure continues, not exceeding
17 twenty-five per cent in the aggregate. For



1 purposes of this paragraph, the amount of tax
2 required to be shown on the return shall be
3 reduced by the amount of any part of the tax
4 which is paid on or before the date prescribed
5 for payment of the tax and by the amount of any
6 credit against the tax which may be claimed upon
7 the return. This paragraph shall not apply to
8 any failure to file a declaration of estimated
9 tax required by section 235-97.

10 (2) Failure to pay tax.

11 (A) If any part of any underpayment is due to
12 negligence or intentional disregard of rules
13 (but without intent to defraud), there shall
14 be added to the tax an amount up to twenty-
15 five per cent of the underpayment as
16 determined by the director.

17 (B) If any part of any underpayment of tax
18 required to be shown on a return is due to
19 fraud, there shall be added to the tax an
20 amount up to fifty per cent of the
21 underpayment as determined by the director.



1 (C) If any penalty is assessed under
2 subparagraph (B) (relating to fraud) for an
3 underpayment of tax which is required to be
4 shown on a return, no penalty under
5 paragraph (1) (relating to failure to file
6 the return) shall be assessed with respect
7 to the same underpayment.

8 (3) Failure to pay tax after filing timely returns.

9 If a return is filed on or before the date
10 prescribed therefor and the amount shown as tax
11 on the return is not completely paid within sixty
12 days of the prescribed filing date, there shall
13 be added to the unpaid tax an amount up to twenty
14 per cent as determined by the director.

15 (4) Interest on underpayment or nonpayment of tax.

16 (A) If any amount of tax is not paid on or
17 before the last date prescribed for payment,
18 interest on such amount at the rate of [~~two-~~
19 ~~thirds~~] one-third of one per cent a month or
20 fraction of a month shall be paid for the
21 period beginning with the first calendar day
22 after the date prescribed for payment,



- 1 section 231-21 to the contrary
2 notwithstanding, to the date paid.
- 3 (B) If the amount of any tax is reduced by
4 reason of a carryback of a net operating
5 loss allowed under chapter 235, such
6 reduction in tax shall not affect the
7 computation of interest under this paragraph
8 for the period ending with the last day of
9 the taxable year in which the net operating
10 loss arises.
- 11 (C) Interest prescribed under this paragraph on
12 any tax shall be paid upon notice and
13 demand, and shall be assessed, collected,
14 and paid in the same manner as taxes.
- 15 (D) No interest under this paragraph shall be
16 imposed on interest provided by this
17 paragraph.
- 18 (E) If any portion of a tax is satisfied by
19 credit of any overpayment, then no interest
20 shall be imposed under this paragraph on the
21 portion of the tax so satisfied for any
22 period during which, if the credit had not



Report Title:

Tax Administration; Interest Rate Modification

Description:

Lowers the current interest rate payable by taxpayers on underpayments or nonpayments of tax from the rate of two-thirds of one per cent for each month or fraction thereof to the rate of one-third of one per cent for each month or fraction thereof.

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