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# A BILL FOR AN ACT

RELATING TO TAX ADMINISTRATION.

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

1           SECTION 1. Chapter 231, Hawaii Revised Statutes, is  
2 amended by adding a new section to be appropriately designated  
3 and to read as follows:  
4           "§231-       Interest on penalties and fines. Interest shall  
5 be imposed on any penalty or fine under this title at the rate  
6 of two-thirds of one per cent a month or fraction of a month for  
7 the period beginning with the first calendar day after the date  
8 prescribed for payment of the fine or penalty, section 231-21 to  
9 the contrary notwithstanding, to the date paid. Unless  
10 otherwise provided, interest prescribed under this section shall  
11 be assessed, collected, and paid in the same manner as taxes.  
12 This section shall not apply to penalties and fines that become  
13 part of the penalties and fines imposed upon conviction of a  
14 misdemeanor or felony."

15           SECTION 2. Section 232-7, Hawaii Revised Statutes, is  
16 amended to read as follows:



1           "§232-7 Boards of review; duties, powers, procedure  
2 before. (a) The board of review for each district shall hear  
3 informally all disputes between the assessor and any taxpayer in  
4 all cases in which appeals have been duly taken and the fact  
5 that a notice of appeal has been duly filed by a taxpayer shall  
6 be conclusive evidence of the existence of a dispute; provided  
7 that this provision shall not be construed to permit a taxpayer  
8 to dispute an assessment to the extent that it is in accordance  
9 with the taxpayer's return.

10           (b) Each board shall hold public meetings at some central  
11 location in its taxation district, at least once annually, and  
12 shall hear, as speedily as possible, all appeals presented for  
13 each year. A taxpayer's identity and final documents submitted  
14 in support or opposition of an appeal shall be public  
15 information; provided that an individual taxpayer is authorized  
16 to redact all but the last four digits of the taxpayer's social  
17 security number from any accompanying tax return. Each board  
18 shall have the power and authority to decide all questions of  
19 fact and all questions of law, excepting questions involving the  
20 Constitution or laws of the United States, necessary to the  
21 determination of the objections raised by the taxpayer in the



1 notice of appeal; provided that no board shall have power to  
2 determine or declare an assessment illegal or void. Without  
3 prejudice to the generality of the foregoing, each board shall  
4 have power to allow or disallow exemptions pursuant to law  
5 whether or not previously allowed or disallowed by the assessor  
6 and to increase or lower any assessment.

7 (c) The board shall base its decision on the evidence  
8 before it, and, as provided in section 231-20, the assessment  
9 made by the assessor shall be deemed prima facie correct. The  
10 board shall file with the assessor concerned its decision in  
11 writing on each appeal decided by it, and a certified copy of  
12 the decision shall be furnished by the assessor to the taxpayer  
13 concerned by delivery or by mailing the copy addressed to the  
14 taxpayer's last known place of residence.

15 (d) Each board and each member thereof in addition to all  
16 other powers shall also have the power to subpoena witnesses,  
17 administer oaths, examine books and records, and hear and take  
18 evidence in relation to any subject pending before the board.  
19 The tax appeal court shall have the power, upon request of the  
20 boards, to enforce by proper proceedings the attendance of  
21 witnesses and the giving of testimony by them, and the



1 production of books, records, and papers at the hearings of the  
2 boards.

3 (e) If there exists more than one board of review in a  
4 taxation district, the chair of one board, administratively and  
5 without requirement of any formal action, may assign a member of  
6 that board to serve as a temporary member of the requesting  
7 board for purposes of establishing a quorum at a designated  
8 meeting of the requesting board. The temporary member shall  
9 serve only for the specific board meeting for which the  
10 assignment is made and only for the period necessary to  
11 establish and maintain a quorum. A temporary member may  
12 participate in discussion and vote on all matters before the  
13 board. Nothing herein shall prevent a member from being  
14 assigned multiple times under this subsection.

15 (f) When a taxpayer elects to transfer the taxpayer's tax  
16 appeal to the tax appeal court under section 235-114, the  
17 taxpayer shall notify the chairperson of the board in writing of  
18 that election. Within thirty days of receipt of a taxpayer's  
19 written notification, the chairperson of the board shall file a  
20 notice of transfer with the tax appeal court."



1 SECTION 3. Section 232-24, Hawaii Revised Statutes, is  
2 amended to read as follows:

3 "§232-24 Taxes paid pending appeal. The tax paid upon the  
4 amount of any assessment, actually in dispute and in excess of  
5 that admitted by the taxpayer, and covered by an appeal to the  
6 tax appeal court duly taken, shall, pending the final  
7 determination of the appeal, be paid by the director of finance  
8 into the "litigated claims fund". If the final determination is  
9 in whole or in part in favor of the appealing taxpayer, the  
10 director of finance shall repay to the taxpayer out of the fund,  
11 or if investment of the fund should result in a deficit therein,  
12 out of the general fund of the State, the amount of the tax paid  
13 upon the amount held by the court to have been excessive or  
14 nontaxable, together with from the date of each payment into the  
15 litigated claims fund, the interest to be paid from the general  
16 fund of the State. For purposes of this section, the rate of  
17 interest shall be [~~computed by reference to section 6621(a)~~  
18 ~~(with respect to interest rate determination) of the Internal~~  
19 ~~Revenue Code of 1986, as of January 1, 2010.~~] one-third per cent  
20 a month or fraction of a month where the taxpayer is not a  
21 corporation, one-fourth per cent a month or fraction of a month

1 where the taxpayer is a corporation and the amount of  
2 overpayment does not exceed \$10,000, and one-eighth per cent a  
3 month or fraction of a month where the taxpayer is a corporation  
4 and the amount of overpayment exceeds \$10,000. The balance, if  
5 any, of the payment made by the appealing taxpayer, or the whole  
6 of the payment, in case the decision is wholly in favor of the  
7 assessor, shall, upon the final determination become a  
8 realization under the tax law concerned.

9 In a case of an appeal to a board of review, the tax paid,  
10 if any, upon the amount of the assessment actually in dispute  
11 and in excess of that admitted by the taxpayer, shall during the  
12 pendency of the appeal and until and unless an appeal is taken  
13 to the tax appeal court, be held by the director of finance in a  
14 special deposit. In the event of final determination of the  
15 appeal in the board of review, the director of finance shall  
16 repay to the appealing taxpayer out of the deposit the amount of  
17 the tax paid upon the amount held by the board to have been  
18 excessive or nontaxable, if any, the balance, if any, or the  
19 whole of the deposit, in case the decision is wholly in favor of  
20 the assessor, to become a realization under the tax law  
21 concerned. "



1 SECTION 4. Statutory material to be repealed is bracketed  
2 and stricken. New statutory material is underscored.

3 SECTION 5. This Act shall take effect on July 1, 2030;  
4 provided that section 3 shall apply to amounts deposited in the  
5 litigated claims fund after December 31, 2015.



**Report Title:**

Tax Administration; Interest; Unpaid Penalties and Fines

**Description:**

Imposes interest on unpaid penalties and fines. Requires filing with tax appeal court a notice of transfer upon transfer of appeal to tax appeal court. Amends rate of interest on amounts paid out of litigated claims fund. (SB2923 HD1)

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

