

S.B. NO. 2925

JAN 27 2016

A BILL FOR AN ACT

RELATING TO TAX ADJUSTMENTS.

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

1 SECTION 1. Section 235-101, Hawaii Revised Statutes, is
2 amended by amending subsection (b) to read as follows:
3 "(b) It shall be the duty of every person who is required
4 by section 235-92 to make a return, to report to the department,
5 as to any taxable year governed by this chapter, if (1) the
6 amount of taxable income as returned to the United States is
7 changed, corrected, or adjusted by an officer of the United
8 States or other competent authority, or (2) a change in taxable
9 income results from a renegotiation of a contract with the
10 United States or a subcontract thereunder, or (3) a
11 recomputation of the income tax imposed by the United States
12 under the Internal Revenue Code results from any cause, or (4)
13 an amended income tax return is made to the United States. The
14 report shall be made within ninety days after the change,
15 correction, adjustment, or recomputation is finally determined
16 or the amended return is filed, as the case may be. The report
17 required by this subsection shall be made in the form of an
18 amendment of the person's return filed under this chapter. The

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1 amended return shall be accompanied by a copy of the document
2 issued by the United States under (1) to (3). The statutory
3 period for the assessment of any deficiency or the determination
4 of any refund attributable to this report shall not expire
5 before the expiration of one year from the date the department
6 is notified by the taxpayer or the Internal Revenue Service,
7 whichever is earlier, of such a report in writing. Before the
8 expiration of this one-year period, the department and the
9 taxpayer may agree in writing to the extension of this period.
10 The period so agreed upon may be further extended by subsequent
11 agreements in writing made before the expiration of the period
12 previously agreed upon. Nothing in the foregoing shall allow or
13 permit a refund unless such refund request is filed within the
14 time limits established by section 235-111. Any refund owed to
15 the taxpayer by the State as a result of a federal tax change,
16 correction, or adjustment shall be limited to the decrease in
17 state tax resulting from such change, correction, or adjustment,
18 unless a claim for refund request has been filed with the
19 department within the time limits established by section 235-
20 111."

21 SECTION 2. New statutory material is underscored.

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1 SECTION 3. This Act shall take effect upon its approval.

INTRODUCED BY: 

BY REQUEST

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Report Title:

Taxes; Income Tax Refunds

Description:

Specifies that taxpayers who file an amended return under section 235-101, Hawaii Revised Statutes, may not claim a refund unless such refund is claimed within the time limits established by section 235-111, Hawaii Revised Statutes.

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

JUSTIFICATION SHEET

DEPARTMENT: Taxation.

TITLE: A BILL FOR AN ACT RELATING TO TAX ADJUSTMENTS.

PURPOSE: Specifies that taxpayers who file an amended return under section 235-101, Hawaii Revised Statutes (HRS), may not claim a refund unless such refund is claimed within the time limits established by section 235-111, HRS.

MEANS: Amend section 235-101, HRS.

JUSTIFICATION: Section 235-101, HRS, requires taxpayers who are notified by the federal government of any change, correction, adjustment, recomputation, or amendment of their federal return to amend their state income tax return within 90 days of notification of such change, correction, etc. Section 235-101, HRS, also allows the department one year from the date of either the amended return or notification by the Internal Revenue Service to assess any deficiency or determine any refund attributable to the amended return.

The statute of limitations for income tax refunds is governed by section 235-111, HRS, and allows taxpayers to claim a refund within three years of the filing of the return or the due date of the return, or within two years of the payment, whichever is later. The department believes the intent of section 235-101, HRS, is to allow the department sufficient time to examine any changes, etc., made by the Internal Revenue Service, and not to reopen the statute of limitations for claiming refunds.

Impact on the public: There will be no impact to the general public. Taxpayers will better understand the statute of limitations for claiming a refund in certain instances.

Impact on the department and other agencies: Assist the department in properly administering Hawaii's tax laws and prevent unnecessary tax appeals.

GENERAL FUND: None.

OTHER FUNDS: None.

OTHER AFFECTED AGENCIES: None.

EFFECTIVE DATE: Upon approval.