

# SB2945

Measure Title: RELATING TO LIQUOR.

Report Title: Liquor; License; Tax Clearance

Description:

Eliminates the requirement that the applicant for a liquor license or a renewal of a license, or in the case of a transfer of a license, both the transferor and the transferee produce either a tax clearance certificate from the Internal Revenue Service or proof of entering into an installment plan agreement with the Internal Revenue Service.

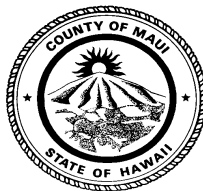
Companion: [HB2565](#)

Package: None

Current Referral: CPH

Introducer(s): KEITH-AGARAN, ENGLISH, Kim

ALAN M. ARAKAWA  
MAYOR



200 South High Street  
Wailuku, Maui, Hawai'i 96793-2155  
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E-mail: mayors.office@mauicounty.gov

**OFFICE OF THE MAYOR**  
Ke`ena O Ka Meia  
COUNTY OF MAUI – Kalana O Maui

February 20, 2018

TESTIMONY OF ALAN M ARAKAWA  
MAYOR  
COUNTY OF MAUI

BEFORE THE SENATE COMMITTEE ON COMMERCE, CONSUMER PROTECTION, AND HEALTH

Thursday, February 22, 2018, 9:30 AM  
Conference Room 229

SB2945 RELATING TO LIQUOR.

Senator Rosalyn H. Baker, Chair  
Senator Jill N. Tokuda, Vice Chair  
Honorable Members of the Senate Committee on Commerce, Consumer Protection, and Health

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Thank you for this opportunity to testify in **SUPPORT OF SB2945.**

The purpose of this bill is to eliminate the requirement that the applicant for a liquor license or a renewal of a license, or in the case of a transfer of a license, both the transferor and the transferee produce either a tax clearance certificate from the Internal Revenue Service or proof of entering into an installment plan agreement with the Internal Revenue Service.

The Internal Revenue office on Maui is open one day a week and at times half day a week. Applicants are required to have appointment. Appointments are for half hour and only one application will be reviewed, and additional half hour appoint must be made for any additional application. Many liquor license applicants reported that it is a challenge to obtain an appointment due to the Internal Revenue Service office have only one agent and have been closed on numerous occasions due to staff shortage; at times more than two months closure. The IRS indicated it has no plans to provide additional staff support nor extend hours of operations at its Maui office.

Applicants who are unable to obtain appointments, are obtaining or given appointments, if available, on the island of Oahu or Hawaii to obtain their IRS tax clearance. Not for profit organizations have reported that they have had to cancel or curtail its fundraising events since the Maui IRS office was closed for several weeks.

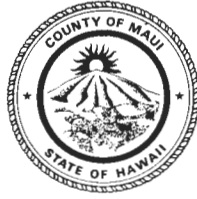
The Federal tax clearance requirement prevents or causes undue hardship, costs, and delay for liquor license applicants from obtaining their liquor license.

**I strongly urge you to pass SB2945.**

Sincerely,

Alan M. Arakawa  
Mayor, County of Maui

ALAN M. ARAKAWA  
MAYOR



GLENN MUKAI  
DIRECTOR

GEORGETTE C.R. TYAU  
DEPUTY DIRECTOR

DEPARTMENT OF LIQUOR CONTROL  
C O U N T Y O F M A U I

2145 KAOHU STREET, ROOM 105 • WAILUKU, MAUI, HAWAII 96793  
PHONE (808) 243-7753 • FAX (808) 243-7558

February 20, 2018

Senator Rosalyn H. Baker, Chair  
Senate Committee on Commerce  
Consumer Protection and Health  
Hawaii State Capitol  
415 South Beretania Street  
Honolulu, Hawaii

Dear Rosalyn H. Baker and Honorable Member of the Senate Committee on Commerce,  
Consumer Protection, and Health:

Senate Bill SB2945, Relating to Liquor

The Department of Liquor Control, County of Maui, supports SB 2945, which eliminates the Federal tax clearance requirement.

The Federal tax clearance requirement causes undue hardship, costs, and delay for liquor license applicants from obtaining their liquor license.

The Internal Revenue office on Maui is open one day a week and at times only half day a week. Applicants are required to have appointments. Appointments are for half hour intervals and only one application is allowed for review, additional half hour appointments must be made for each additional application. Many liquor license applicants reported that it is a challenge to obtain an appointment due to the Internal Revenue Service office having only one agent and have been closed on numerous occasions due to staff shortage. IRS indicated it has no plans to provide additional staff support nor extend hours of operations at its Maui office.

Applicants who are unable to obtain appointments, are obtaining or given appointments, if available, on the island of Oahu or Hawaii to obtain their IRS tax clearance. Not for profit organizations reported they had to cancel or curtail its fundraising events since the Maui IRS office was closed for several weeks.

Rosalyn H. Baker and Honorable Member  
of the Senate Committee on Commerce  
Consumer Protection, and Health  
February 20, 2018  
Page 2

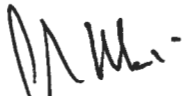
Many applicants are unable to renew their liquor license due to the unavailability of appointments at the IRS office on Maui to obtain their federal tax clearance. The IRS office has been closed and the lone agent was not available during the critical time of the liquor license renewal period. Applicants that fail to renew their license is required to cease all liquor sales while they apply for a new liquor license.

An applicant was reported to charter a plane to make her appointment on the Big Island to obtain her Federal tax clearance so she was able to meet the deadline to renew her liquor license. An attorney reported he was required to fly to Big Island on two occasions to obtain the federal tax clearance for his clients and numerous other licensees reported they had to obtain appointments at the IRS offices on Oahu and the Big Island since appointments at the Maui IRS office were not available. Several reported they were unable to obtain appointments, thus, their liquor license could not be renewed and expired.

This bill will eliminate the undue hardship and costly expenses that liquor license applicants are experiencing.

The Department of Liquor Control requests your support of and pass SB2945.

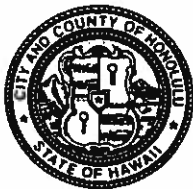
Mahalo



GLENN MUKAI  
Director

**LIQUOR COMMISSION  
CITY AND COUNTY OF HONOLULU**

711 KAPIOLANI BOULEVARD, SUITE 600, HONOLULU, HAWAII 96813-5249  
PHONE (808) 768-7300 or (808) 768-7333 • FAX (808) 768-7311  
INTERNET ADDRESS: [www.honolulu.gov/liq](http://www.honolulu.gov/liq) • E-MAIL: [liquor@honolulu.gov](mailto:liquor@honolulu.gov)



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ADMINISTRATOR

ANNA C. HIRAJ  
ASSISTANT ADMINISTRATOR

February 20, 2018

The Honorable Rosalyn H. Baker, Chair  
The Honorable Jill N. Tokuda, Vice Chair  
and Members of the Committee on Commerce,  
Consumer Protection, and Health

**Hearing:** Thursday, February 22, 2018  
9:30 AM; Room 229

**Position:** Strong Support for SB 2945, Relating to Liquor

Dear Chair Baker, Vice Chair Tokuda, and Members:

The Liquor Commission, City and County of Honolulu (Commission), appreciates the opportunity to submit testimony in strong support of Senate Bill 2945, Relating to Intoxicating Liquor.

As you are aware, liquor regulation in the state of Hawaii is home rule-based, with regulatory oversight assigned to four (4) county liquor commissions. The approximate number of licensees regulated by each county commission are City and County of Honolulu (1,400+); Hawaii (400+); Kauai (200+); and Maui (400+). Each of these liquor licenses have a term of July 1 to June 30 the following year, with license renewals being conducted in the final quarter of the license year. In order to obtain the renewed license, current state law requires that the licensee present

... a tax clearance certificate from the department of taxation and from the Internal Revenue Service showing that the applicant ... do not owe the state or federal governments any delinquent taxes, penalties, or interest; or that the applicant ... has entered into an installment plan agreement with the department of taxation and the Internal Revenue Service for the payment of delinquent taxes in installments and that the applicant is ... complying with the installment plan agreement; ...

Section 281-45(3), Hawaii Revised Statutes, as amended. To the best of our knowledge and belief, the state of Hawaii is the only liquor jurisdiction that directly ties license renewal to the tax clearance requirement, as opposed to a taxpayer's responsibility being independent of the act of obtaining a renewed liquor license.

As the Internal Revenue Service (IRS) has faced increasing budgetary and resource challenges over the past 3-4 years, Hawaii licensees have experienced the loss of IRS offices, decreased IRS personnel, and decreased IRS operating hours when renewing their liquor licenses. This past June was a licensee tax clearance month of typical and recurring difficulty, with our licensees experiencing breaks in service largely due to the inability of the IRS to

accommodate required face-to-face appointments with licensees unable to qualify for pre-clearance by mail. Only last week at our February 8, 2018 hearing, one well-known restaurant licensee with multiple locations in Honolulu was required to fly to the Hilo office in order to resolve its tax clearance issues, before returning to Honolulu that same day to effect its licenses after suffering a five-day break in service. This was due to the licensee's inability to obtain an appointment with the Honolulu office earlier than weeks later.

To be fair, outreach to the IRS through the Small Business Administration – Office of the National Ombudsman did result in some relief to our licensees, via the ability to use Hawaii Compliance Express to facilitate the tax clearance procedure online. However, we submit that the IRS has sufficient enforcement ability to ensure taxpayer compliance independent of the license renewal process, and we support its elimination. It appears contrary to the goal of efficient and complete collection of taxes to cut off a licensee's principal source of revenue in order to enforce payment of a tax obligation.

The Liquor Commission appreciates the opportunity to provide testimony on Senate Bill 2945, Relating to Liquor, and urge your favorable action on this measure.

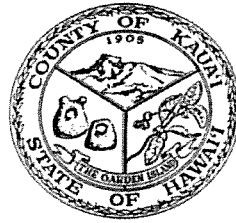
Respectfully submitted,



FRANKLIN DON PACARRO, JR.  
Administrator

FDP:ACH

**Bernard P. Carvalho Jr.**  
Mayor



**Gerald T. Rapozo**  
Director

**Wallace G. Rezentes Jr.**  
Managing Director

**DEPARTMENT OF LIQUOR CONTROL**

**County of Kaua'i, State of Hawai'i**  
4444 Rice Street, Suite 120, Lihue, Hawai'i 96766  
TEL (808) 241-4966 FAX (808) 241-6585

February 16, 2017

Senator Rosalyn H. Baker, Chair  
Senator Jill Tokuda, Vice Chair  
Committee on Commerce, Consumer Protection, and Health

**Hearing:** Thursday, February 22, 2018  
9:30 a.m.; Room 229

**Position:** Strongly Support SB 2945 Relating to Liquor

Dear Chair Baker, Vice Chair Tokuda and Members:

The Department of Liquor Control, County of Kauai, strongly supports Senate Bill 2945 relating to Liquor.

Currently, all liquor license applicants and those renewing their licenses annually are required to submit tax clearances from both the State of Hawaii Department of Taxation (DoTax) and the Internal Revenue Service. Obtaining those clearances from the Internal Revenue Service (IRS) has been difficult for licensees and applicants in the County of Kauai.

Unlike the neighbor islands, Kauai does not have a local IRS office. Our applicants and licensees need to obtain an appointment on Oahu to meet with the IRS. This appointment is made after waiting a long time, sometime 2 hours, on the phone to finally speak to a person. The phone call is only to get an appointment and not for questions. On two occasions, I have had the privilege to speak to someone from the IRS after frustrated licensees have come to our office pleading for help. On both occasions, the person at the IRS had no idea what a tax clearance for a liquor license was. Hawaii is one of the few States that require IRS tax clearances for liquor licenses.

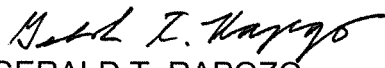
In comparison, we have never received any complaints from our licensees about the State Department of Taxation. On Kauai, the local DoTax office staff are very professional and helpful to both the Department of Liquor Control and our licensees.

*An Equal Opportunity Employer*

The Department of Liquor Control, County of Kauai urges you to support Senate Bill 2945, Relating to Liquor.

Thank-you for the opportunity to testify on this matter.

Respectfully Submitted,

  
GERALD T. RAPOZO  
Director





# Maui Hotel & Lodging

ASSOCIATION

Testimony of

**Lisa H. Paulson**

Executive Director

Maui Hotel & Lodging Association

on

SB 2945

**Relating To Liquor**

COMMITTEE ON COMMERCE, CONSUMER PROTECTION, AND HEALTH

**Thursday, February 22, 2018, 9:30 am**

**Conference Room 229**

Dear Chair Baker, Vice Chair Tokuda and Members of the Committee,

The Maui Hotel & Lodging Association (MHLA) is the legislative arm of the visitor industry. Our membership includes 185 property and allied business members in Maui County – all of whom have an interest in the visitor industry. Collectively, MHLA's membership employs over 25,000 residents and represents over 19,000 rooms. The visitor industry is the economic driver for Maui County. We are the largest employer of residents on the Island - directly employing approximately 40% of all residents (indirectly, the percentage increases to 75%).

MHLA is **in support** of SB 2945, which eliminates the requirement that the applicant for a liquor license or a renewal of a license, or in the case of a transfer of a license, both the transferor and the transferee produce either a tax clearance certificate from the Internal Revenue Service or proof of entering into an installment plan agreement with the Internal Revenue Service.

MHLA believes that this measure would streamline the process in obtaining or renewing a liquor license. Currently, Hawaii is the only state to require federal tax clearance for liquor license applications and renewals and therein lies the source of much frustration.

For example, The Internal Revenue office on Maui is open only one day a week and at times half day a week. Liquor license applicants must have an appointment to receive their tax clearance which is a challenge to obtain due to the Internal Revenue Service office only having one agent and being closed on numerous occasions due to staff shortage. The IRS indicated it has no plans to provide additional staff support nor extend hours of operations at its Maui office. This situation has caused many of our Maui businesses having to obtain appointments with the IRS offices on Oahu or Hawaii to receive their IRS tax clearance.

I urge you to pass this important measure.

Thank you for the opportunity to testify.

# Merchant ♦ Horowitz

A LIMITED LIABILITY LAW COMPANY

David B. Merchant  
Peter A. Horowitz  
Kristine N.Y.K. Tsukiyama  
Jason A. Economou

Tel: 808.242.5700  
Email: pah@mhmaui.com

February 19, 2018

## VIA Electronic Submission

Senate Committee on Commerce, Consumer Protection, and Health

Senator Rosalyn H. Baker, Chair  
Senate District 6  
Hawaii State Capitol, Room 230

Senator Jill N. Tokuda, Vice Chair  
Senate District 24  
Hawaii State Capitol, Room 202

Re: In Support of SB 2613 and SB 2945

Senators Baker and Tokuda:

I am writing in support of SB 2613 and SB 2945. In my practice I represent numerous licensees ranging from hotel/resort operators, restaurants, bars, and retail stores. While the bulk of my licensees are within Maui County, we do represent licensees on all islands.

SB 2613: Certain departments do not allow new licensees to apply directly for a restaurant license, and also do not allow holders of restaurant licenses to transfer those licenses. Rather, they require an application for a dispenser general license that can only be upgraded after one year. We believe this is a misreading of current law, but nonetheless it causes significant practical challenges that have severe financial impacts. As such, the law merits clarification.

A restaurant license requires that the operator generate 30% of its revenues from food service. It also allows, among other things, for an operator to offer catering service and to allow minors on premises who are not accompanied by a parent or guardian. The latter is a significant benefit for establishments located in malls, near beaches, or practically anywhere minors might be without a parent. By denying the ability to transfer a restaurant license, long-established operators who may wish to sell their business will lose significant value – it would be as if the pizza place next to the movie theater could no longer sell kids a slice of pizza before they went to the movies. Further, a new applicant should be allowed to directly

February 19, 2018

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apply for a restaurant license if their business plan indicates that the requisite portion of their sales will be from food service. In both instances, the County departments retain the ability to downgrade a license if the licensee ultimately does not meet the food-sales threshold.

SB 2945. There have been numerous instances where certain Departments have rejected tax clearance certificates, and thus refused to renew or grant licenses, when the licensee is on an agreed payment plan for taxes. A tax payment plan that has been accepted by the relevant taxing authority is a binding agreement, and so long as payments are made as agreed, there is no default and the taxpayer is in compliance. In the case of a payment agreement, the taxing authorities will issue clearances noting that the taxpayer is on an agreed payment plan. A payment plan that is to the satisfaction of the taxing authority should also be accepted by the County liquor departments. Currently certain departments do not accept such approvals.

Very truly yours,

Peter A. Horovitz



COMMITTEE ON COMMERCE, CONSUMER PROTECTION, AND HEALTH

Senator Rosalyn H. Baker, Chair

Senator Jill N. Tokuda, Vice Chair

NOTICE OF HEARING

DATE: Thursday, February 22, 2018

TIME: 9:30 AM

PLACE: Conference Room 229

**TESTIMONY OF THE OCEAN TOURISM COALITION IN SUPPORT SB2945**

Chair Senator Baker, Vice Chair Senator Tokuda and Members of CPH

My name is James E. Coon, President of the Ocean Tourism Coalition (OTC),  
**speaking in Support of SB 2945 Relating to Liquor.**

The OTC represents over 300 small ocean tourism businesses state wide. All of them operate from State Boating Facilities managed by DLNR/DOBOR. Many of these companies have liquor licenses. Most of these are family businesses which are locally owned and operated. Many of them have been in business for several decades and are an important and valued part of their respective communities.

The current problem with obtaining the IRS Tax Clearance is that the Maui IRS Office has shut down and it is very difficult to get the IRS Clearance. Companies need to go to Oahu to get clearance there. This is a serious hardship for our members and we support this important change in the law.

Please pass SB 2945.

Sincerely,

James E. Coon, President OTC

COMMITTEE ON COMMERCE, CONSUMER PROTECTION, AND HEALTH

Senator Rosalyn H. Baker, Chair  
Senator Jill N. Tokuda, Vice Chair

NOTICE OF HEARING

DATE: Thursday, February 22, 2018  
TIME: 9:30 AM  
PLACE: Conference Room 229

**TESTIMONY OF THE OCEAN TOURISM COALITION IN SUPPORT SB2945**

Chair Senator Baker, Vice Chair Senator Tokuda and Members of CPH

My name is David Weiss, Vice President of Teralani Sailing Adventures, **providing our Support of SB 2945 Relating to Liquor.**

The current problem with obtaining the IRS Tax Clearance is that the Maui IRS Office has shut down and it is very difficult to get the IRS Clearance. Companies need to go to Oahu to get clearance there. This is a serious hardship for our members and we support this important change in the law. What we propose as a possible solution is to accept a Hawaii Vendor Compliance Certificate which confirms compliance with Hawaii State Taxation, the IRS, Hawaii Department of Labor and Hawaii department of Commerce and Consumer Affairs. This replaced the requirement for state and federal tax clearances when renewing our various DNLR permits

Please pass SB 2945.

Sincerely,

David Weiss  
Executive Vice President  
Kaanapali Kai Charters, Inc. (dba Teralani Sailing Adventures)

**SB-2945**

Submitted on: 2/21/2018 7:49:44 AM

Testimony for CPH on 2/22/2018 9:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Zachary LaPrade	Individual	Support	No

Comments:

The current problem with obtaining the IRS Tax Clearance is that the Maui IRS Office has shut down and it is very difficult to get the IRS Clearance. Companies need to go to Oahu to get clearance there. This is a serious hardship for our members and we support this important change in the law.



**MAUI**  
CHAMBER OF COMMERCE  
VOICE OF BUSINESS

**HEARING BEFORE THE SENATE COMMITTEE  
ON COMMERCE, CONSUMER PROTECTION, AND HEALTH  
HAWAII STATE CAPITOL, SENATE CONFERENCE ROOM 229  
THURSDAY, FEBRUARY 22, 2018 AT 9:30 A.M.**

To The Honorable Rosalyn H. Baker, Chair;  
The Honorable Jill N. Tokuda, Vice Chair; and  
Members of Committee on Commerce, Consumer Protection, and Health;

**TESTIMONY IN SUPPORT OF SB 2945 RELATING TO LIQUOR**

Aloha, my name is Pamela Tumpap and I am the President of the Maui Chamber of Commerce. I am writing share our support of SB 2945.

Thank you for taking up this matter. We deeply appreciate movement for those applying for and renewing their liquor licenses as this will make the process faster. This measure will greatly save time for all applicants. We know it can take days to weeks to get a State tax clearance and it takes even longer to get an IRS clearance. Therefore, we support this bill that will help to expedite the process so applicants can get their licenses sooner.

We appreciate the opportunity to testify on this matter and ask that this bill be passed.

Sincerely,

*Pamela Tumpap*

Pamela Tumpap  
President

To advance and promote a healthy economic environment for business, advocating for a responsive government and quality education, while preserving Maui's unique community characteristics.