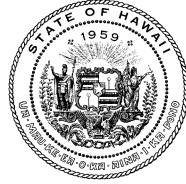


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To: The Honorable Chris Lee, Chair;
The Honorable Joy A. San Buenaventura, Vice Chair;
and Members of the House Committee on Judiciary

From: Rona M. Suzuki, Director
Department of Taxation

Re: H.B. 2378, Relating to Vacant and Abandoned Residential Structures

Date: Wednesday, February 5, 2020

Time: 2:05 P.M.

Place: Conference Room 325, State Capitol

The Department of Taxation (Department) appreciates the intent of H.B. 2378, however it has serious concerns and offers the following comments.

H.B. 2378 allows the Department to seek sale of the property through non-judicial foreclosure of vacant and abandoned residential properties with outstanding recorded state tax liens at any time after establishing vacancy and abandonment. The measure is effective on July 1, 2020.

Although the measure provides a number of situations where a property is **not** vacant and abandoned, it does not explicitly define the term "vacant and abandoned." The Department suggests defining the term so that there is a general rule from which the exceptions would apply. One way to define the term would be explicitly state the number of days that the structure is unoccupied.

Section 4 of this measure restricts existing statutory authority to judicially enforce State tax liens by adding a new requirement that liens exist for three or more years before judicial enforcement may begin. This provision also seems contrary to purpose of the measure in that three years would need to elapse before a judicial foreclosure may be commenced. The Department respectfully requests that Section 4 be amended to remove this new requirement.

The measure requires the Department to conduct an unspecified number of inspections an unspecified number of days apart and determine that there is no "evidence of occupancy." The Department does not have the staff or expertise to make the determination of occupancy as proposed by this measure. Moreover, the Department does not have the legal authority to enter into a residence without a court order, thus making it virtually impossible for the Department to determine if a structure is vacant and abandoned.

Finally, the Department is concerned that allowing a sale without the need to file suit may cause other impacted parties, such as mortgage and other lienholders, to suffer loss, potentially opening the door to claims against the Department.

Thank you for the opportunity to provide comments.

HB-2378

Submitted on: 2/3/2020 6:50:42 PM

Testimony for JUD on 2/5/2020 2:05:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
John Honda	Individual	Support	No

Comments: