

DAVID Y. IGE  
GOVERNOR

JOSH GREEN M.D.  
LT. GOVERNOR



ISAAC W. CHOY  
DIRECTOR OF TAXATION

STATE OF HAWAII  
**DEPARTMENT OF TAXATION**  
P.O. BOX 259  
HONOLULU, HAWAII 96809  
PHONE NO: (808) 587-1540  
FAX NO: (808) 587-1560

To: The Honorable Sylvia Luke, Chair;  
The Honorable Kyle T. Yamashita, Vice Chair;  
and Members of the House Committee on Finance

From: Isaac W. Choy, Director  
Department of Taxation

Date: Monday, February 28, 2022  
Time: 11:00 A.M.  
Place: Via Video Conference, State Capitol

**Re: H.B. 2179, Relating to Collection of Delinquent Taxes**

The Department of Taxation (Department) strongly supports H.B. 2179, an Administration measure, and offers the following comments for the committee's consideration.

H.B. 2179 amends section 231-33, Hawaii Revised Statutes (HRS), to authorize the Director of Taxation to apply to the circuit court to convert certain tax liens into enforceable civil judgments. The measure is effective upon approval.

The Department notes that there are several current delinquent tax cases that are essentially uncollectible despite the existence of tax liens. When a delinquent taxpayer deliberately ignores the department's communications and the lien remains uncontested, the collection process cannot move forward. This legislation would allow the Director to seek judicial enforcement of tax liens that were properly recorded and for which at least 365 days have elapsed since official notice with no response or action from the lienee taxpayer. This change will incentivize delinquent taxpayers to proactively respond to lien notices instead of ignoring them, leading to increased tax compliance.

The Department is in strong support of this bill and is able to implement the measure as drafted. Thank you for the opportunity to testify.

# TAX FOUNDATION OF HAWAII

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126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

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SUBJECT: ADMINISTRATION, Collection of Delinquent Taxes

BILL NUMBER: HB 2179, SB 3147

INTRODUCED BY: HB by SAIKI by request, SB by KOUCHI by request (Governor's Package)

EXECUTIVE SUMMARY: Authorizes the Director of Taxation to apply to the circuit court to convert certain tax liens into enforceable civil judgments.

SYNOPSIS: Amends section 231-33, HRS, to add a new subsection providing that if the Department records a tax lien and there is no response or action by the taxpayer against whom the lien was recorded, the director may apply to the circuit court to have the lien converted into a civil judgment.

EFFECTIVE DATE: Upon Approval

STAFF COMMENTS: This is an Administration bill sponsored by the department of taxation and designated TAX-05 (22).

To us, this seems backwards. Usually, when a civil dispute results in a civil judgment, the judgment is then recorded and the judgment creditor can then enforce the judgment by writ of execution against any property affected.

When a tax is due and unpaid, section 231-33, HRS, says that it automatically becomes a lien against a taxpayer's property or rights to property. Department collectors who find some property in a bank account, for example, can levy upon it right away. If real property exists, the Department, under section 231-63, HRS, can initiate a nonjudicial foreclosure against it, thereby forcing the property to be sold with the proceeds then applied against the tax debt.

We are unsure what a civil judgment would give the Department that it doesn't already have.

Digested: 2/2/2022

**HB-2179**

Submitted on: 2/27/2022 8:03:36 PM

Testimony for FIN on 2/28/2022 11:00:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Remote Testimony Requested</b>
Gerard Silva	Individual	Oppose	No

Comments:

Taxes are illegal under the Constitution of the United States of America witch we Come under.

any one that promotes taxes should be charged as a Criminal!!