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Honolulu, Hawaii

MAR 1 9 2025

RE: H.B. No. 1174 H.D. 1 S.D. 1

STAND. COM. REP. NO.

Honorable Ronald D. Kouchi President of the Senate Thirty-Third State Legislature Regular Session of 2025 State of Hawaii

Sir:

Your Committee on Judiciary, to which was referred H.B. No. 1174, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO THE PROCEDURE FOR PAYMENT UNDER PROTEST LAWSUITS,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- Allow for the interest earned on payments under protest in the Litigated Claims Fund to be paid in nontaxation cases if the claimant prevails; and
- (2) Establish a procedure for the disposition of moneys and refiling of actions when a payment under protest suit is filed prematurely.

Your Committee received testimony in support of this measure from one individual.

Your Committee received comments on this measure from the Tax Foundation of Hawaii.

Your Committee finds that in *Grace Business Development Corporation v. Kamikawa*, 92 Hawai'i 608, 994 P.2d 540 (2000), the Hawaii Supreme Court held that if a taxpayer pays money under



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protest but then sues for a refund before the defendant agency has formally taken a position on whether the money is due, the appeal is to be dismissed. However, if the agency later decides that the money is indeed due, it is usually too late for the suit to be refiled, potentially allowing the agency to keep the disputed moneys as a government realization without allowing the taxpayer to obtain a judicial ruling on the merits of the exaction. This measure will prevent the possibility of injustice by adding procedural safeguards to ensure that the courts will be able to reach the merits of the dispute.

Your Committee has amended this measure by making it effective upon its approval.

As affirmed by the record of votes of the members of your Committee on Judiciary that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1174, H.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1174, H.D. 1, S.D. 1, and be referred to your Committee on Ways and Means.

> Respectfully submitted on behalf of the members of the Committee on Judiciary,

L.N.

KARL RHOADS, Chair



The Senate Thirty-Third Legislature State of Hawai'i

Record of Votes Committee on Judiciary JDC

Bill / Resolution No.:*	Committee Referral:			Date:	
HB 1174, HDI	JDC, WAM			3/14/25	
The Committee is reconsidering its previous decision on this measure.					
If so, then the previous decision was to:					
The Recommendation is:					
Pass, unamended Pass, with amendments Hold Recommit 2312 2311 2310 2313					
Members		Aye	Aye (WR)	Nay	Excused
RHOADS, Karl (C)					
GABBARD, Mike (VC)		V/			
CHANG, Stanley		·			
SAN BUENAVENTURA, Joy A					
AWA, Brenton					
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TOTAL	/	5		/	
Recommendation:					
Chair's or Designed's Signature:					
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy					

*Only <u>one</u> measure per Record of Votes