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TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION

TESTIMONY ON THE FOLLOWING MEASURE:

S.B. No. 1469, S.D.2, H.D.1, Relating to Tax Collections.

BEFORE THE:

House Committee on Finance

DATE: Monday, March 31, 2025

TIME: 3:15 p.m.

LOCATION: State Capitol, Room 308

Chair Yamashita, Vice-Chair Takenouchi, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following testimony in support of S.B. 1469, S.D.2, H.D.1, an Administration measure, for your consideration.

S.B. 1469, S.D.2, H.D.1, makes various amendments to title 14, Hawaii Revised Statutes (HRS), by adding subsections to the respective statutes of limitations on collections by DOTAX for the following taxes:

- Income Tax (HRS § 235-111)¹;
- General Excise Tax (HRS § 237-40);
- Transient Accommodations Tax (HRS § 237D-9);
- Use Tax (HRS § 238-7);
- Fuel Tax (HRS § 243-14);
- Conveyance Tax (HRS § 247-6.5); and

¹ These amendments would also apply to other taxes administered by DOTAX, including but not limited to the public service company tax, franchise tax, and tobacco tax. See, e.g., HRS § 245-11 (making provisions of chapter 235 and 237, HRS, relating to the collection of taxes applicable to the tobacco tax).

- Rental Motor Vehicle, Tour Vehicle, and Car-Sharing Vehicle Surcharge Tax (HRS § 251-8).

These amendments suspend the statute of limitations on collections during the period an assessment is pending on appeal before the Taxation Board of Review or Tax Appeal Court.

Due to a backlog of cases pending in the Taxation Board of Review and Tax Appeal Court, the 15-year statute of limitations on certain collection activities has expired or will soon expire for a number of assessments currently pending on appeal. Because taxpayers currently are not required to pay an assessed tax to file a tax appeal with the Taxation Board of Review or Tax Appeal Court, and because collection activities are stayed during the pendency of those appeals, decisions and court judgments filed after the statute of limitations expires risk being uncollectible. Additionally, for lengthy appeals not resolved within 15 years, the statutes of limitation would prevent vigorous enforcement and collection of debts in cases where DOTAX prevails. This measure prevents taxpayers from appealing their debts as a way to “run out the clock” on collections by extending the collection window during the time an appeal is pending.

This measure would become effective on approval and would suspend the statute of limitations on collections of assessments that were on appeal before the effective date of the Act, from the filing date of the notices of appeal to the conclusion, dismissal, or withdrawal of the appeal.

Thank you for the opportunity to provide testimony in support of this measure.