

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION

Ka 'Oihana 'Auhau
P.O. BOX 259

HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION

TESTIMONY ON THE FOLLOWING MEASURE:

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

BEFORE THE:

House Committee on Judiciary & Hawaiian Affairs

DATE: Wednesday, March 14, 2025

TIME: 2:00 p.m.

LOCATION: State Capitol, Room 325

Chair Tarnas, Vice-Chair Poepoe, and Members of the Committee:

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

S.B. 1469, S.D.2 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 that are 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 comments in support of this measure.

TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: NET INCOME, GENERAL EXCISE, TRANSIENT ACCOMMODATIONS, USE, CONVEYANCE, RENTAL MOTOR VEHICLE SURCHARGE; Collection of Taxes; Statute of Limitations

BILL NUMBER: SB 1469 SD 2

INTRODUCED BY: Senate Committee on Ways and Means

EXECUTIVE SUMMARY: Suspends 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.

SYNOPSIS: Amends section 235-111, HRS (net income tax), to provide that the fifteen-year statute of limitations on collection of assessed taxes is suspended for the period in which an appeal of the assessment is pending before the taxation board of review or the tax appeal court.

Makes corresponding amendments to the statutes governing other tax types, namely sections 237-40 (general excise tax), 237D-9 (transient accommodations tax), 238-7 (use tax), 243-14 (fuel tax), 247-6.5 (conveyance tax), and 251-8 (rental motor vehicle and tour vehicle surcharge tax), HRS.

EFFECTIVE DATE: Upon approval.

STAFF COMMENTS: This is an Administration bill sponsored by the Department of Taxation and designated TAX-06 (25).

The relief sought by DOTAX is similar to that provided in section 6503(a)(1) of the Internal Revenue Code, which provides that the statute of limitations on collection is suspended for the period during which the Internal Revenue Service is prohibited from collecting the tax and for 60 days thereafter.

We note that Act 166, SLH 2009, enacted the fifteen-year statute of limitations and inserted similar provisions in not only the statutes being amended by this bill, but also the nursing facility tax (HRS section 346E-6) and the insurance premium tax (HRS section 431:7-204.6). The nursing facility tax chapter was repealed by Act 109, SLH 2023, but the insurance premium tax is still with us. It would be logical to make a similar amendment to HRS section 431:7-204.6.

Digested: 3/12/2025