

TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: MOTOR VEHICLE, Forgive Delinquency After Five Years

BILL NUMBER: HB 655

INTRODUCED BY: HASHEM

EXECUTIVE SUMMARY: Limits the required payment of certain unpaid motor vehicle taxes and fees and accompanying financial penalties to those incurred during the most recent 5 consecutive years of delinquency.

SYNOPSIS: Amends section 249-5.5, HRS, to provide that the money required to be paid to obtain a current emblem shall not exceed the current license plate and emblem fees plus any unpaid taxes due during the most recent five consecutive years that the license plate could have been validated with an emblem, regardless of the overall duration of delinquency.

Makes corresponding changes to sections 249-10 and 249-34, HRS.

EFFECTIVE DATE: Upon approval.

STAFF COMMENTS: A statute of limitations on collection of taxes generally has three kinds of benefits:

- **Uncertainty:** Taxpayers face less uncertainty about their financial obligations, making it possible for them to overcome the debt.
- **Administrative Burden:** The government would not need to maintain extensive records and resources to manage and pursue old tax debts.
- **Fairness:** An unlimited statute of limitations could be seen as unfair to taxpayers, especially if they face financial difficulties or if the tax system has errors that are only discovered years later.

And they have a couple of detriments:

- **Increased Revenue:** Governments could potentially collect more revenue by not having a time limit on tax collection.
- **Deterrence:** Knowing that taxes could be collected at any time might deter individuals and businesses from evading taxes.

In practice, most tax systems, including the IRS and Hawaii, have a statute of limitations (e.g., 10 years for the IRS and 15 years for Hawaii income, GE, and most other state taxes) to balance these concerns.

There are practical concerns expressed in the preamble, namely that some residents are abandoning old vehicles as opposed to paying back taxes on them, at which point local government needs to dispose of the vehicles, creating costs.

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We are not sure of the extent of the problem and where the balancing point is.

Digested: 1/24/2025

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Submitted on: 1/24/2025 11:08:37 AM

Testimony for TRN on 1/28/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
TIM REIMER	Individual	Comments	Written Testimony Only

Comments:

People can't afford five years of Back Taxes they will just scrap the vehicle. Five years of taxes is still 1500 to 2000 dollars. After saving to repair the vehicle they can not save to pay the Back Taxes , so they get it towed away for scrap. Every scrapped vehicle has the state loosing 400 dollars plus for registration fees and safety inspection fees. I would think the state would consider deleting all Back Taxes to increase registration funds not keeping the system that stresses struggling residents who can't afford or qualify for a new car..Please delete completely all Auto Registration Back Taxes. Thank you .

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Submitted on: 1/27/2025 8:13:01 AM

Testimony for TRN on 1/28/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Robert Souza	Individual	Support	Written Testimony Only

Comments:

I do agree there has to be a limit on vehicle backtaxes.

with motor vehicle registration as expensive as it is, 2 years would be my suggestion, instead of 5.

For most vehicles that would already be \$800-\$1800

The taxes are for vehicles utilizing the highways. not sitting in a garage or a yard being unused or broken.

Mahalo for your time and consideration

Robert Souza