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February 13, 2025
2:00 P.M.
State Capitol, Room 325

**H.B. 655. H.D. 1
RELATING TO MOTOR VEHICLES**

House Committee on Judiciary and Hawaiian Affairs

The Department of Transportation (DOT) **opposes** H.B. 655, H.D. 1, which proposes to limit the required payment of certain unpaid motor vehicle taxes, fees, and accompanying penalties to those incurred during the most recent five consecutive years of delinquency.

While DOT acknowledges the intent of this bill to address issues related to abandoned vehicles and alleviate the financial burden of unpaid taxes, we are concerned that the proposed approach could have significant negative implications for the State and its counties. Additionally, the potential cost and fiscal impacts of implementing this measure remain unclear, which adds to our reservations about the feasibility and sustainability of this proposal.

Thank you for the opportunity to provide testimony.

TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

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SUBJECT: MOTOR VEHICLE, Forgive Delinquency After Five Years

BILL NUMBER: HB 655 HD 1

INTRODUCED BY: House Committee on Transportation

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: July 1, 3000.

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.

Re: HB 655 HD 1

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

Digested: 2/11/2025

HOUSE COMMITTEE ON JUDICIARY & HAWAIIAN AFFAIRS

Rep. David Tarnas, Chair
Rep. Mahina Poepoe, Vice-Chair

Thursday, February 13, 2025 2pm
Room 325

HB 655, HD1, RELATING TO MOTOR VEHICLES

My name is Bart Dame. I am speaking as an individual in **SUPPORT** of HB655.

I am not a collector of old cars and know very little about the work it takes to restore and maintain them. I come at this issue as someone who has (at least) two friends who have old, unregistered cars taking up space in their carports or yards.

I have a friend whose father collected old T-Birds and, when he died last year, he left 3 old classic T-Birds from the 1950s in his yard. My friend and her two sisters are wrestling with the problems of executing his estate and would love to get rid of the cars, but in the hope they will “go to a good home.”

The father has some hanai nephews who might be interested in the cars, but the cars have not been registered since 2008, so that is 17 years back registration charges. The cars are worthy of being repaired but it will require a lot of time and hard work. These cars have potential value, but in the shape they are in, it is very unlikely anyone can be found to take them if that means paying 18 years of back taxes. The father had INTENDED to get around to fixing them up, but he lost his energy, and his health and the cars continue to sit.

All across the state, we have old cars in this situation. Someone buys an old car, or gets it as a gift, inherits it and HOPES to find the time to fix it up, but they run out of steam and the families are left with these vehicles, feeling obligated to get the car to someone who would pour love into it, but even if they find a relation or family friend willing to take it on, the cost of the back taxes is prohibitive.

I see in the testimony of the Tax Foundation that passage of this bill may result in a loss of revenue to the county governments. I don't think that is true. I think the reality is the cars will just continue to sit in the driveways and yards until they are hauled away as junk with the county not receiving any income.

I also saw testimony suggesting there should be NO charge for back taxes. I disagree. Car owners benefit from having a system of auto ownership registration, even those who may not take their cars out onto the road. But when a car is de facto IN STORAGE, even if they have not filed paperwork to make that official, the car is not using the streets and is not receiving much value in exchange for the registration fee. I suggest limiting the obligation to the most recent five years of fees is a compromise.

My hope is that old cars can get out of the garages, out of the yards and find a good home with an owner with the time and drive to fix them up. While I am not a car collector, I do find myself appreciating a well-restored old car when I see one.

Please pass this bill and help the MANY families stuck with old cars rusting in their yards.

Thank you for opportunity to testify.