

LINDA LINGLE  
GOVERNOR

JAMES R. AIONA, JR.  
LT. GOVERNOR



KURT KAWAFUCHI  
DIRECTOR OF TAXATION

SANDRA L. YAHIRO  
DEPUTY DIRECTOR

STATE OF HAWAII  
DEPARTMENT OF TAXATION  
P.O. BOX 259  
HONOLULU, HAWAII 96809

PHONE NO: (808) 587-1510  
FAX NO: (808) 587-1560

**HOUSE COMMITTEE ON ECONOMIC REVITALIZATION, BUSINESS &  
MILITARY AFFAIRS  
TESTIMONY REGARDING HB 656  
RELATING TO LIQUOR**

**TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)**  
**DATE: JANUARY 29, 2009**  
**TIME: 8:30AM**  
**ROOM: 312**

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This measure allows liquor licensees who have an agreement to repay delinquent taxes on a payment plan and who are not in default, to renew their liquor license, overriding AG Op. 95-1.

The Department of Taxation **takes no position** on this legislation and **offers comments**.

**PURPOSE OF TAX CLEARANCE IS TO ENSURE REVENUE STREAM**—The Department understands that the current economy has slowed, which ultimately impacts taxpayers' ability to pay taxes. However, the Department cautions this Committee that this legislation defeats the purpose of the tax clearance predicate, which is to ensure all liquor sellers are current with their taxes to enjoy the benefit of the privilege to sell liquor. However, simultaneously, this bill is logical in that it allows for a tax clearance to be issued in order for businesses to stay open, sell more liquor, generate more money, which will be used to ultimately pay their taxes owed.

**CONSIDER INSERTING THIS PROVISION IN THE HRS**—The Department points out that this legislation will result in uncodified session laws if passed. The Department understands not wanting to place a temporary provision in the HRS; however nonetheless suggests this provision be incorporated into the HRS with a repeal provision in order for the public and taxpayers to find this provision with ease.

**ELIMINATE REFERENCE TO IRS**—Both state and federal taxation and compliance are independent. The reference to the Internal Revenue Service is not relevant to whether state taxes have been paid. A taxpayer may obtain a tax payment plan with the IRS, but not the state, and vice versa. Only agreements with the state should be relevant. HRS 231-28, for example, only applies to state taxes.

**NO REVENUE IMPACT**—There is no projected revenue impact from this measure.

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