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To: The Honorable Marcus Oshiro, Chair
and Members of the House Committee on Finance

Date: Wednesday, March 28, 2012

Time: 10:00 a.m.

Place: Conference Room 309, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: S.B. 2868 Relating to Tax Clearance Fees

The Department of Taxation (Department) supports the adoption of S.B. 2868.

H.B. 2606 authorizes the Department to charge a \$20 fee at the time a request for a tax clearance is made. Thereafter, an additional fee of \$5 may be charged for certified copies of the tax clearance certificate, provided that tax clearances may be obtained electronically at no charge.

A tax clearance certificate is issued by the Department to certify that a taxpayer has filed all tax returns due, and paid all amounts owed, as of the date the certificate is issued. Tax clearance certificates are valid for six months from the date of issuance.

Currently, taxpayers may obtain tax clearances without paying a fee for the tax clearance. During the last fiscal year, the Department processed approximately 30,000 tax clearance requests and issued approximately 60,000 certified copies of tax clearance. Each tax clearance request takes approximately 15-30 minutes of staff time, depending on the number of copies requested and the complexity of the taxpayer's accounts. These requests include tax clearances needed for bi-annual license renewals of contractors (approximately 8000) and annual liquor license renewals.

The Department appreciates the support to transition taxpayers to requesting tax clearances electronically. We believe that providing the electronic service for free will encourage most taxpayers to use this process.

Thank you for the opportunity to provide comments.