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# A BILL FOR AN ACT

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RELATING TO CONTRACTING.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1       SECTION 1. Chapter 46, Hawaii Revised Statutes, is amended  
2 by adding a new section to be appropriately designated and to  
3 read as follows:

4       "§46- Private building developments; tax clearances.

5       (a) No building license shall be granted for a private  
6 development valued at greater than \$ , unless the  
7 applicant has presented to the issuing officer tax clearances  
8 from the director of taxation and the Internal Revenue Service  
9 on behalf of the building contractor and any subcontractors.

10 The issuing officer shall verify that all contractors and  
11 subcontractors have filed all tax returns due, and that all  
12 taxes, interest, and penalties levied against the contractor and  
13 subcontractors or accrued under title 14 that are administered  
14 by the department of taxation and under the Internal Revenue  
15 Code have been paid. The director of taxation may waive the  
16 Internal Revenue Service tax clearance requirement if the  
17 director determines that it is in the best interest of the



1 State. The department of taxation may require that tax  
2 clearance applications be submitted electronically.

3 (b) Any assignment of a contract for a private development  
4 valued at greater than \$                      shall require the assignee,  
5 as a condition precedent to the assignment, to first obtain a  
6 bulk sales certificate if required under section 237-43, and  
7 present the certificate, or tax clearance as provided under  
8 subsection (a) if a bulk sales certificate is not required, to  
9 the state or county contracting officer or agent.

10 (c) All state and county contracting officers or agents  
11 shall withhold final inspection of a private development valued  
12 at greater than \$                      until the receipt of the most recent  
13 tax clearances from the director of taxation and the Internal  
14 Revenue Service on behalf of the building contractor and any  
15 subcontractors.

16 (d) This section shall not apply to a contractor or  
17 subcontractor if the department of taxation certifies that the  
18 contractor or subcontractor is in good standing under a plan in  
19 which delinquent taxes, interest, and penalties are being paid  
20 to the department of taxation or the Internal Revenue Service,  
21 if applicable, in installments.



1       (e) Any officer or employee of any governmental agency who  
2       intentionally or knowingly violates any provision under this  
3       section shall be fined not more than \$1,000 or imprisoned not  
4       more than one year, or both.

5       (f) This section shall not apply to the extent and during  
6       the period that the validity of the taxes, penalties, or  
7       interest is being contested in an administrative or judicial  
8       appeal with the department of taxation or Internal Revenue  
9       Service."

10       SECTION 2. There is appropriated out of the general  
11 revenues of the State of Hawaii the sum of \$                   or so  
12 much thereof as may be necessary for fiscal year 2019-2020 and  
13 the same sum or so much thereof as may be necessary for fiscal  
14 year 2020-2021 for grants-in-aid to the counties for the  
15 enforcement of section 46-   , Hawaii Revised Statutes, to be  
16 allocated as follows:

- 17       (1)   \$                   to the county of Hawaii;  
18       (2)   \$                   to the city and county of Honolulu;  
19       (3)   \$                   to the county of Kauai; and  
20       (4)   \$                   to the county of Maui.



1       The sums appropriated shall be expended by the department  
2 of budget and finance for the purposes of this Act.

3       SECTION 3.   New statutory material is underscored.

4       SECTION 4.   This Act shall take effect on July 1, 2019.



**Report Title:**

Department of Taxation; Contracting; Private Developments; Tax Clearance

**Description:**

Requires contractors and subcontractors to submit tax clearances as a condition of obtaining building permits for private developments exceeding a certain value. Requires contractors and subcontractors to submit additional tax clearances before assignment of a contract for private developments exceeding a certain value. Authorizes the department of taxation to require that tax clearance applications be submitted electronically.

(SD1)

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