
A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 SECTION 1. The legislature finds that a professional or
2 vocational license grants certain benefits and protections to a
3 license holder. However, a professional or vocational license
4 holder should not be entitled to these benefits and protections
5 unless the license holder is complying with the laws of the
6 State, including the payment of taxes.

7 The legislature finds that requiring tax clearances for
8 certain transactions is not new or unique. In Hawaii, a tax
9 clearance is required for certain state contracts, including
10 those over \$25,000; for procuring a liquor license; and in
11 certain other instances. Requiring a tax clearance to be
12 submitted with the application for or renewal of a professional
13 or vocational license ensures that the holder of a license
14 granted by the State is in compliance with state tax laws.

15 The legislature further finds that improvements resulting
16 from the department of taxation's tax modernization program have
17 automated the bulk of tax clearances issued by the department of



1 taxation. Furthermore, the new state data portal can
2 incorporate a tax clearance requirement for the renewal of
3 professional and vocational licenses.

4 The purpose of this Act is to improve tax compliance by
5 requiring a tax clearance before a professional or vocational
6 license may be issued or renewed.

7 SECTION 2. Chapter 231, Hawaii Revised Statutes, is
8 amended by adding a new section to be appropriately designated
9 and to read as follows:

10 **"§231- Tax clearance before issuance and renewal of**
11 **professional and vocational licenses.** (a) No professional or
12 vocational license shall be issued or renewed by the department
13 of commerce and consumer affairs unless the applicant or
14 licensee presents to the licensing authority a certificate
15 authenticated by the director of taxation, showing that the
16 applicant or licensee:

- 17 (1) Does not owe the State any delinquent taxes,
18 penalties, or interest;
- 19 (2) Has entered into and is complying with an installment
20 plan agreement with the department of taxation for the
21 payment of delinquent taxes in installments; or



1 (3) Is in compliance with all applicable tax laws
2 contained in title 14.

3 (b) The department of taxation and department of commerce
4 and consumer affairs shall jointly implement a procedure or
5 system to efficiently process and issue clearance requests and
6 responses. The procedure or system may include the performance
7 of all tasks electronically and in bulk."

8 SECTION 3. Chapter 463B, Hawaii Revised Statutes, is
9 amended by adding a new section to part III to be appropriately
10 designated and to read as follows:

11 "§436B- Tax clearance before issuance and renewal of
12 professional and vocational licenses. No professional or
13 vocational license shall be issued or renewed by the department
14 unless the applicant or licensee presents to the licensing
15 authority a certificate authenticated by the director of
16 taxation, showing that the applicant or licensee:

17 (1) Does not owe the State any delinquent taxes,
18 penalties, or interest;

19 (2) Has entered into and is complying with an installment
20 plan agreement with the department of taxation for the
21 payment of delinquent taxes in installments; or



1 (3) Is in compliance with all applicable tax laws
2 contained in title 14."

3 SECTION 4. The department of taxation shall prepare any
4 forms necessary for the tax clearance required pursuant to this
5 Act.

6 SECTION 5. This Act does not affect rights and duties that
7 matured, penalties that were incurred, and proceedings that were
8 begun before its effective date.

9 SECTION 6. New statutory material is underscored.

10 SECTION 7. This Act shall take effect on January 1, 2050,
11 and shall apply to taxable years beginning after December 31,
12 2022.



Report Title:

Tax Clearance; Professional or Vocational Licensing; DOTAX; DCCA

Description:

Requires a tax clearance before a professional or vocational license may be issued or renewed. Requires the departments of taxation and commerce and consumer affairs to jointly implement a procedure or system for processing and issuing tax clearances. Effective 1/1/2050. Applies to taxable years after 12/31/2022. (HD1)

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