

JAN 22 2021

A BILL FOR AN ACT

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 part V to be appropriately designated
3 and to 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 \$195,000 or greater, unless the applicant
7 has presented to the issuing officer tax clearances from the
8 director of taxation and the Internal Revenue Service on behalf
9 of the building contractor and any subcontractors. The issuing
10 officer shall verify that all contractors and subcontractors
11 have filed all tax returns due, and that all taxes, interest,
12 and penalties levied against the contractor and subcontractors
13 or accrued under title 14 that are administered by the
14 department of taxation and under the Internal Revenue Code have
15 been paid. The director of taxation may waive the Internal
16 Revenue Service tax clearance requirement if the director
17 determines that it is in the best interest of the State.



1 (b) Any assignment of a contract for a private development
2 valued at \$195,000 or greater shall require the assignee, as a
3 condition precedent to the assignment, to first obtain a bulk
4 sales certificate if required under section 237-43, and present
5 the certificate, or tax clearance as provided under subsection
6 (a) if a bulk sales certificate is not required, to the state or
7 county contracting officer or agent.

8 (c) All state and county contracting officers or agents
9 shall withhold final inspection of a private development valued
10 at \$195,000 or greater until the receipt of tax clearances from
11 the director of taxation and the Internal Revenue Service on
12 behalf of the building contractor and any subcontractors;
13 provided that the tax clearances shall be dated no earlier than
14 forty-five days prior to the date of the request for final
15 inspection of the private development.

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) The department of taxation may require that an
2 application for a tax clearance required by this section be
3 submitted electronically.

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

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

13 SECTION 2. There is appropriated out of the general
14 revenues of the State of Hawaii the sum of \$ or so much
15 thereof as may be necessary for fiscal year 2021-2022 and the
16 same sum or so much thereof as may be necessary for fiscal year
17 2022-2023 for grants-in-aid to the counties for the enforcement
18 of section 46- , Hawaii Revised Statutes, to be allocated as
19 follows:

20 (1) \$ to the county of Hawaii;

21 (2) \$ to the city and county of Honolulu;



1 (3) \$ to the county of Kauai; and

2 (4) \$ to the county of Maui.

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

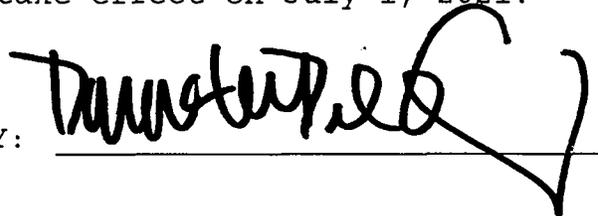
5 SECTION 3. This Act does not affect rights and duties that
6 matured, penalties that were incurred, and proceedings that were
7 begun before its effective date.

8 SECTION 4. New statutory material is underscored.

9 SECTION 5. This Act shall take effect on July 1, 2021.

10

INTRODUCED BY: _____



S.B. NO. 223

Report Title:

DOTAX; Counties; Contracting; Private Developments; Tax Clearance; Appropriations

Description:

Requires contractors and subcontractors to submit tax clearances as a condition of: (1) obtaining building permits for private developments exceeding a certain value; (2) assigning a contract for private developments exceeding a certain value; and (3) obtaining final inspection of private developments exceeding a certain value. Authorizes the department of taxation to require that tax clearance applications be submitted electronically. Establishes penalties. Appropriates funds for grants-in-aid to the counties.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

