

STAND. COM. REP. NO.

993

Honolulu, Hawaii

FEB 28, 2025

RE: H.B. No. 1173
H.D. 1

Honorable Nadine K. Nakamura
Speaker, House of Representatives
Thirty-Third State Legislature
Regular Session of 2025
State of Hawaii

Madame:

Your Committee on Finance, to which was referred H.B. No. 1173 entitled:

"A BILL FOR AN ACT RELATING TO TAX LIENS,"

begs leave to report as follows:

The purpose of this measure is to require the Department of Taxation to:

- (1) State the assessment date on certificates of tax liens;
and
- (2) Issue certificates of discharge when the tax liability on which a lien is based has been satisfied or has become unenforceable by lapse of time.

Your Committee received testimony in support of this measure from two individuals. Your Committee received comments on this measure from the Department of Taxation; Tax Foundation of Hawaii; and Hawaii Association of Public Accountants.

Your Committee finds that Act 166, Session Laws of Hawaii 2009, created a fifteen-year statute of limitations on certain collection actions on tax assessments, specifically by prohibiting a levy or proceeding in court under chapter 231, Hawaii Revised Statutes, to collect tax if the levy or proceeding is initiated



after the fifteen-year period. By requiring the inclusion of the tax liability assessment date on tax lien certificates and requiring the Department of Taxation to issue a certificate of discharge for satisfied or unenforceable liabilities, this measure would, among other things, inform taxpayers of how much time they have to pay off the liability and may better align state tax collection practices with federal practices.

Your Committee further finds that certain sections of state law relating to income tax, general excise tax, transient accommodations tax, use tax, fuel tax, conveyance tax, rental motor vehicle and tour vehicle surcharge tax, and insurance tax contain provisions that may suspend or extend the fifteen-year statute of limitations on collection after assessment. Your Committee believes that this measure should be clarified to require the Department of Taxation to issue certificates of discharge for liabilities that have been satisfied or have become unenforceable under those sections.

Accordingly, your Committee has amended this measure by:

- (1) Clarifying the applicable taxes that are subject to the fifteen-year statute of limitations imposed by Act 166, Session Laws of Hawaii 2009;
- (2) Changing the effective date to July 1, 3000, to encourage further discussion; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1173, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1173, H.D. 1, and be placed on the calendar for Third Reading.



Respectfully submitted on
behalf of the members of the
Committee on Finance,



KYLE T. YAMASHITA, Chair



