

STAND. COM. REP. NO. **3270**

Honolulu, Hawaii

MAR 30 2026

RE: H.B. No. 2578
H.D. 1
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Third State Legislature
Regular Session of 2026
State of Hawaii

Sir:

Your Committee on Judiciary, to which was referred H.B. No. 2578, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO DUE PROCESS FOR ESTABLISHING PERSONAL LIABILITY FOR TAX,"

begs leave to report as follows:

The purpose and intent of this measure is to provide that a determination of personal liability for another person's unpaid general excise taxes is an assessment subject to the due process procedures and appeals available for other assessments.

Your Committee received comments on this measure from the Department of Taxation.

Your Committee finds that under existing general excise tax law, the State may collect unpaid liability for tax against responsible persons associated with an entity whose tax is unpaid. However, there is no clear process for adjudicating disputes between the Department of Taxation and a person allegedly responsible for the tax. Your Committee further finds that the Department of Taxation has taken the position that the disputed tax must be paid under protest for there to be any judicial review. However, this may not be a viable alternative for a taxpayer alleged to have personal liability because of a miniscule interest in a company with a large amount of unpaid taxes. This



measure will address these issues to ensure fair, equitable, and appropriate access to judicial review.

Your Committee has amended this measure by:

- (1) Making it effective on January 1, 2027; and
- (2) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Judiciary that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2578, H.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2578, H.D. 1, S.D. 1, and be referred to your Committee on Ways and Means.

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



KARL RHOADS, Chair



The Senate
Thirty-Third Legislature
State of Hawai'i

Record of Votes
Committee on Judiciary
JDC

Bill / Resolution No. ** HB 2578 HD1	Committee Referral: JDC, WAM	Date: 3/17/26		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
RHOADS, Karl (C)				
GABBARD, Mike (VC)				
CHANG, Stanley				
SAN BUENAVENTURA, Joy A.				
AWA, Brenton				
TOTAL	5	—	—	—
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution: Original Yellow Pink File with Committee Report Committee Drafting Agency				

*Only one measure per Record of Votes