
A BILL FOR AN ACT

RELATING TO PROCEDURES FOR TAX APPEALS.

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

1 SECTION 1. The legislature finds that in the recent case
2 *In re: Tax Appeal of PM & AM Research, Inc. v. State,*
3 CAAP-25-0000525 (Haw. App. Sept. 17, 2025), a taxpayer attempted
4 to appeal a tax assessment by the department of taxation to the
5 Hawaii tax appeal court. Due to a procedural technicality, the
6 court dismissed the appeal. On appeal to the intermediate court
7 of appeals, the court observed that the taxpayer had not paid
8 the assessed tax, as required by section 235-114, Hawaii Revised
9 Statutes, and dismissed the appeal on that basis. Thus, the
10 taxpayer was denied any substantive review of the assessment.

11 Accordingly, the purpose of this Act is to clarify that:

12 (1) A tax shall be paid before the courts may entertain a
13 second appeal on the merits of the dispute;

14 (2) A taxpayer who partially prevailed during the
15 taxpayer's first appeal shall pay the amount
16 determined to be due in that first appeal, rather than



1 the entire assessment, in order to make a subsequent
2 appeal; and

3 (3) A taxpayer who does not appeal the decision of the
4 body reviewing the initial tax assessment by the
5 department of taxation is required to pay the tax as
6 determined by the taxation board of review or tax
7 appeal court or the tax assessment by the Department
8 of Taxation if left unmodified and unamended by the
9 appellate body.

10 SECTION 2. Section 235-114, Hawaii Revised Statutes, is
11 amended by amending subsection (a) to read as follows:

12 "(a) Any person aggrieved by any assessment of the tax or
13 liability imposed by this chapter may appeal from the assessment
14 in the manner and within the time hereinafter set forth. Appeal
15 may be made either to the taxation board of review or to the tax
16 appeal court. The first appeal to either the taxation board of
17 review or to the tax appeal court may be made without payment of
18 the tax assessed. Either the taxpayer or the assessor may
19 appeal to the tax appeal court from a decision by the board or
20 to the intermediate appellate court from a decision by the tax
21 appeal court; provided that if the decision on the merits by the



1 board or the tax appeal court is appealed by the taxpayer, [~~or~~
2 ~~the decision by the board in favor of the department is not~~
3 ~~appealed,~~] the taxpayer shall pay the tax [assessed] as
4 determined by the board or the tax appeal court, plus interest
5 as provided in section 231-39(b)(4) [-], to proceed with the
6 second appeal; provided further that if the taxpayer does not
7 file a second appeal from the decision by the board or by the
8 tax appeal court reviewing the initial tax assessment by the
9 department of taxation, then the taxpayer shall pay the tax as
10 determined by the board or the tax appeal court or the tax
11 assessment by the department of taxation if left unmodified and
12 unamended by the board or the tax appeal court."

13 SECTION 3. This Act does not affect rights and duties that
14 matured, penalties that were incurred, and proceedings that were
15 begun before its effective date.

16 SECTION 4. Statutory material to be repealed is bracketed
17 and stricken. New statutory material is underscored.

18 SECTION 5. This Act shall take effect upon its approval.



Report Title:

Taxation; Tax Appeals; Payments Under Protest

Description:

Requires a tax to be paid before the courts may entertain a second appeal on the merits of the dispute. Requires a taxpayer who partially prevailed during the taxpayer's first appeal to pay the amount determined to be due in that first appeal, rather than the entire assessment, in order to make a subsequent appeal. Clarifies that a taxpayer who does not appeal the decision of the body reviewing the initial tax assessment by the Department of Taxation is required to pay the tax as determined by the Taxation Board of Review or Tax Appeal Court or the tax assessment by the Department of Taxation if left unmodified and unamended by the Board or Court. (SD1)

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