

STAND. COM. REP. NO. 2466

Honolulu, Hawaii

FEB 19 2026

RE: S.B. No. 3301
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 S.B. No. 3301 entitled:

"A BILL FOR AN ACT RELATING TO THE PROCEDURE FOR PAYMENT UNDER PROTEST LAWSUITS,"

begs leave to report as follows:

The purpose and intent of this measure is to clarify and add procedural safeguards to section 40-35, Hawaii Revised Statutes, which relates to payments to the State under protest.

Your Committee received comments on this measure from the Tax Foundation of Hawaii.

Your Committee finds that in *Grace Business Development Corporation v. Kamikawa*, 92 Haw. 608, 994 P.2d 540 (2000), the Hawaii Supreme Court held that if a taxpayer pays money under protest but then sues for a refund before the defendant agency has formally taken a position on whether the money is due, the appeal is to be dismissed. However, if the agency later decides that the money is indeed due, it is generally too late for the suit to be refiled, potentially allowing the agency to keep the money, regardless of whether or not the payment to the agency was legal. This measure will prevent the possibility of these scenarios from occurring and ensure that courts can evaluate the merits of payments made to the State under protest, even if a claim for a refund is filed before the agency's final determination.



Your Committee has amended this measure by 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 S.B. No. 3301, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 3301, 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



