

ACT 33

S.B. NO. 1187

A Bill for an Act Relating to Delinquent Taxes.

Be It Enacted by the Legislature of the State of Hawaii:

SECTION 1. The legislature finds that, currently, if an account is uncollectible, the department of taxation must wait two years before the account is deemed uncollectible. This creates undue stress and anxiety to the taxpayer who may have health or other insurmountable financial problems. The legislature believes that authorizing the department of taxation to consider various factors, other than the two-year time limit in determining when an account is uncollectible, will permit the department to concentrate on the accounts that will likely generate the greatest recovery to the State. This approach will also relieve the department of the need to track numerous small claims when the costs of collection, including employee time, will exceed any expected recovery.

The purpose of this Act is to set a reasonableness standard for deeming taxes uncollectible, rather than waiting for the minimum two-year period currently required by statute.

SECTION 2. Section 231-32, Hawaii Revised Statutes, is amended to read as follows:

“§231-32 Records of delinquent taxes, uncollectible delinquent taxes. The department of taxation shall prepare and maintain, open to public inspection, a complete record of the amounts of taxes assessed in each district that have become delinquent with the name of the delinquent taxpayer in each case, but it shall not be necessary to periodically compute on the records the amount of penalties and interest upon delinquent taxes.

The department ~~may~~, from time to time, may prepare lists of all ~~taxes~~ delinquent ~~which~~ taxes that in its judgment are uncollectible. ~~Such taxes as~~ Taxes that the department finds to be uncollectible shall be entered in a special record and be deleted from the other books kept by the department~~, and the~~. The department shall ~~thereupon~~ then be released from any further ~~accountability for their collection; provided that no~~ duty to collect these taxes. No account shall be ~~so~~ deleted ~~until it shall have been delinquent for at least two years.~~ unless the department finds that there is reasonable cause to delete the account, considering factors such as the financial condition of the taxpayer, inability to locate the taxpayer, costs of collection against the amount of tax owed, health of the taxpayer, and future income prospects of the taxpayer. Any items ~~so~~ written off may be transferred back to the delinquent tax roll if the depart-

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ment finds that the alleged facts as previously presented to it were not true[;] or that ~~such~~ the items are in fact collectible.”

SECTION 3. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 4. This Act, upon its approval, shall take effect retroactive to January 1, 2013.

(Approved April 22, 2013.)