

SB76

Gerald Gregory
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The Honorable Donna Mercado Kim
Chair, Senate Committee on Ways & Means
State Capitol, Room 210
Honolulu, Hawaii 96813

Feb 27, 2009

RE: SB 76 Support
SUBJECT: Move SB 76

Dear Chair Kim:

This letter is in support of SB 76 and I ask that you move this bill. The Director of Taxation has stated that this is already administratively possible to accommodate request to pay across the board on interest, penalties, and principal in certain circumstances but yet what circumstances is not clarified by the Director of Taxation. Since March of 2008 I have personally made payments in person so I could meet other taxpayers to talk and listen to their problems with their taxes. Also the Tax Department has always taken payments and applied them to the oldest tax because that is their policy (not the law) but that is not always beneficial to the taxpayer because if they are applying it to the oldest tax it has the higher interest, it is better to apply it to the most recent years because interest is smallest and you can move to penalty and principal faster therefore paying off the year in question faster and paying less interest. The longer you don't touch the recent years it lets a high amount of taxes owed gain a substantial amount of interest (%) before getting to it when it becomes the oldest tax. The Director of Taxation is aware of this practice at the Tax Department but does nothing about it because this would also be considered lost revenue. There is no law that allows this practice to gain revenue but yet they do it with no hesitation. This bill (SB76) is to encourage people to pay more of their taxes owed the State, to pass this Bill would be an investment to gain more revenue which would be worth the small amount of revenue the Department of Taxation is assuming it will lose. There is a time for change and fairness in the Department of Taxation and that time is now when change is taking place.

A perfect example of this is my case. I stopped my construction business around 2002, I went to the Department of Taxation. I was told by a senior collection agent (Mrs. Nakajo) at the time that I no longer needed to file G.E Taxes if I was shutting down the business. I took that advice to heart.

As time went on I had an issue with the I.R.S in late 2007 and had an accountant take care of and was informed that even though I had shut the business down I was an independent and should have been filling G.E, I immediately had her put it together and filed it with the Department of Taxation. Since March of 2008 I have argued the point that the information given to me by Mrs. Nakajo that they should remove all penalties & interest due to her misinformation they had agreed to 1/2 and a payment of \$300 a month. I paid all of 2007, 2008 and am current with my taxes. I also paid all of 2005, and 80% of 2006, that leaves 2002, 2003, 2004. I have paid more than \$16,000 since March of 2008. Interest is still added monthly and all payments are made interest, penalties, and then principal and not one time has a payment been evenly paid across all interest, penalties and principal. On top of that interest is still being added monthly. I am on a mission to pay these taxes owed regardless.

Hawaii, Revised Statute: Section 231-27 was enacted in 1949 (S.B. No. 412, Act 312, Session Laws of Hawaii 1949) and the distribution of partial payment of taxes has not been amended since the original enactment. Except for the Committee Reports issued by the Committee on Ways and Means (SSCR 387) and Committee on Finance (HSCR 86), there is no explanation for the rationale or legislature intent in the enactment of the law the Committee on Ways and Means (SSCR 387) stated that:

The purpose of this bill is to require all partial payments of a particular assessment of taxes to be devoted first to delinquent interest, then to penalties, and then to principal. At the present time, a taxpayer has a choice. Since delinquent interest only on principal and penalties, it is obvious that one devoting his partial payment first to principal or penalties is in a better position than one devoting his partial payment first to interest. The bill will remedy this inequality.

Tax Foundation of Hawaii stated in Testimony (No opposition or support of SB76) that the Federal Government implemented an additional payment option on Jan 17, 2005 known as partial payment installment agreement (PPIA). This new payment option became possible with the passage of the American Jobs Creations Act of 2004. Tax payers utilized this method for a fee (currently \$52 for direct debit and \$105 for non-direct debit agreement).

The Director of Taxation has testified on record about leveling the field between federal, state, and taxpayer. He had referred to the Sarbanes-Oxley Act. He says penalties are drawn from Internal Revenue Code (IRC) sections 6694 and 7407. Sometimes leveling the field such as SB76 affects revenue. The people are in hard economic times in step with the state being in hard economic times. The director has constantly stated fairness SB76 does not take away any money owed the state. Should SB76 allow taxpayers to pay off their taxes faster why would the Department of Taxation oppose such a possibility of a taxpayer paying their debt faster. Why has the Department of Taxation become so addicted to penalties and interest? The taxpayer is also paying for the addition of penalties & interest because they are not tax deductible and must be put on their taxes as income and are taxed again.

I strongly support SB76 and encourage you to move this bill and support its passage. We all are in economic hard times let's do it together, a humble constituent.

Very truly yours,

Gerald Gregory
(Humble Consistent)

Gina Williams

From: PatrickWWeeks@aol.com
Sent: Tuesday, March 03, 2009 3:42 PM
To: Sen. Donna Mercado Kim
Subject: SB 76

Aloha Senator Kim-

I have read about this bill online, and I think it would be of great benefit to the taxpayers of Hawaii as well the State itself.

Naturally, Mr. Kawafuchi has written in opposition to this bill- that's his job. But it is not necessarily the case that this bill would diminish tax revenues. As someone who once spent 9 years paying off the IRS, I can tell you that applying payments to interest, penalty and principal, would make it much easier to want to pay off the debt. And without a doubt it would get paid up much sooner.

It would help the taxpayer and, in the long run, it will benefit the State, in much the same way that cutting taxes can often increase revenues by stimulating the economy. I think this bill warrants serious consideration.

Thank You,

Pat Weeks

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