

LINDA LINGLE  
GOVERNOR

JAMES R. AIONA, JR.  
LT. GOVERNOR



KURT KAWAFUCHI  
DIRECTOR OF TAXATION

SANDRA L. YAHIRO  
DEPUTY DIRECTOR

STATE OF HAWAII  
DEPARTMENT OF TAXATION  
P.O. BOX 259  
HONOLULU, HAWAII 96809

PHONE NO: (808) 587-1510  
FAX NO: (808) 587-1560

**HOUSE COMMITTEES ON ECONOMIC REVITALIZATION, BUSINESS &  
MILITARY AFFAIRS  
TESTIMONY REGARDING HB 651  
RELATING TO INTOXICATING LIQUOR**

**TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)**  
**DATE: FEBRUARY 3, 2009**  
**TIME: 8:30AM**  
**ROOM: 312**

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This measure allows liquor licensees who have an agreement to repay delinquent taxes on a payment plan and who are not in default, to apply for a temporary liquor license, overriding AG Op. 95-1. This legislation is similar to HB 656 heard by the Economic Revitalization, Business, and Military Affairs Committee previously and HB 311 heard by the Commerce and Judiciary committees.

The Department of Taxation has concerns with this legislation.

**PURPOSE OF TAX CLEARANCE IS TO ENSURE REVENUE STREAM**—The Department understands that the current economy has slowed, which ultimately impacts taxpayers' ability to pay taxes. However, the Department cautions this Committee that this legislation defeats the purpose of the tax clearance predicate, which is to ensure all liquor sellers are current with their taxes to enjoy the benefit of the privilege to sell liquor. The Department is concerned with this measure and that it will no longer ensure a guaranteed flow of tax revenue as the licensee can extend their tax obligations over time and still obtain a temporary license if they enter a payment plan. However, simultaneously, this bill is logical in that it allows for a tax clearance to be issued in order for businesses to stay open, sell more liquor, generate more money, which will be used to ultimately pay their taxes owed.

**CONCERN OVER PRECEDENT FOR OTHER HIGH RISK INDUSTRIES**—After further consideration, the Department cautions the Committee on this measure due to the precedent it could set with other regulated industries that require a tax clearance due to perceived high tax risk. Contracting, for example, is another industry that requires a tax clearance prior to license renewal. This industry is hurting equally due to the economic slowdown. The Committee should be cognizant of the precedent this legislation could set and be mindful that the effectiveness of the tax clearance in bringing in revenue would be eroded.

**NO REVENUE IMPACT**—There is no projected revenue impact from this measure.