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# A BILL FOR AN ACT

RELATING TO TAXATION.

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

1           SECTION 1. Chapter 235, Hawaii Revised Statutes, is  
2 amended by adding two new sections to be appropriately  
3 designated and to read as follows:

4           "§235-A Repeal dates for tax credits and exemptions. (a)

5 The department of business, economic development, and tourism  
6 shall perform an evaluation, pursuant to section 235-B, of the  
7 tax credits or tax exemptions on the following list prior to its  
8 repeal date, except for sections 235-15, 235-110.2, 235-110.8,  
9 237-29, 239-6.5, and 241-4.7 which shall be evaluated by the  
10 department of human services.

11           (b) The following sections shall be repealed on  
12 December 31, 2010:

13           (1) Section 235-4.5 (Taxation of trusts, beneficiaries;  
14 credit);

15           (2) Section 235-5.6 (Individual development account  
16 contribution tax credit);

17           (3) Section 235-9.5 (Stock options from qualified high  
18 technology businesses excluded from taxation);



- 1        (4) Section 235-12 (Energy conservation; income tax
- 2                    credit);
- 3        (5) Section 235-12.5 (Renewable energy technologies;
- 4                    income tax credit);
- 5        (6) Section 235-15 (Tax credits to promote the purchase of
- 6                    child passenger restraint systems);
- 7        (7) Section 235-17 (Motion picture, digital media, and
- 8                    film production income tax credit);
- 9        (8) Section 235-18 (Deposit beverage container deposit
- 10                   exemption);
- 11        (9) Section 235-110.2 (Credit for school repair and
- 12                   maintenance);
- 13        (10) Section 235-110.3 (Ethanol facility tax credit);
- 14        (11) Section 235-110.8 (Low-income housing tax credit);
- 15        (12) Section 237-29 (General excise tax; exemptions for
- 16                   certified or approved housing projects);
- 17        (13) Section 239-6.5 (Public service company tax; tax
- 18                   credit for lifeline telephone service subsidy); and
- 19        (14) Section 241-4.7 (Low-income housing; income tax
- 20                   credit).

21        (c) The following sections and subsection shall be  
22 repealed on December 31, 2011:



- 1        (1) Section 235-110.46 (Attractions and educational
- 2        facilities tax credit; Ko Olina Resort and Marina;
- 3        Makaha Resort);
- 4        (2) Section 235-110.51 (Technology infrastructure
- 5        renovation tax credit);
- 6        (3) Section 235-110.6 (Fuel tax credit for commercial
- 7        fishers);
- 8        (4) Section 235-110.7 (Capital goods excise tax credit);
- 9        (5) Section 235-110.9 (High technology business investment
- 10       tax credit);
- 11       (9) Section 235-110.91 (Tax credit for research
- 12       activities);
- 13       (10) Section 235-129 (Tax credits (S Corporations));
- 14       (11) Chapter 235D (Qualified improvement tax credit); and
- 15       (12) Section 236D-4(c) (Nonresidents; transfer tax;
- 16       exemption).
- 17       (d) The following sections shall be repealed on
- 18       December 31, 2012:
- 19       (1) Section 237-16.8 (General excise tax; exemption of
- 20       certain convention, conference, and trade show fees);
- 21       (2) Section 237-23 (General excise tax; exemptions,
- 22       persons exempt, applications for exemption);



- 1        (3) Section 237-23.5 (General excise tax; related
- 2                    entities; common paymaster; certain exempt
- 3                    transactions);
- 4        (4) Section 237-24 (General excise tax; amounts not
- 5                    taxable);
- 6        (5) Section 237-24.3 (General excise tax; additional
- 7                    amounts not taxable);
- 8        (6) Section 237-24.5 (General excise tax; additional
- 9                    exemptions);
- 10       (7) Section 237-24.7 (General excise tax; additional
- 11                   amounts not taxable);
- 12       (8) Section 237-24.75 (General excise tax; additional
- 13                   exemptions);
- 14       (9) Section 237-24.8 (General excise tax; amount not
- 15                   taxable for financial institutions); and
- 16       (10) Section 237-24.9 (General excise tax; aircraft service
- 17                   and maintenance facility).

18        (e) The following sections shall be repealed on  
19        December 31, 2013:

- 20        (1) Section 237-25 (General excise tax; exemptions of
- 21                   sales and gross proceeds of sales to federal
- 22                   government, and credit unions);



- 1        (2) Section 237-26 (General excise tax; exemption of
- 2                certain scientific contracts with the United States);
- 3        (3) Section 237-27 (General excise tax; exemption of
- 4                certain petroleum refiners);
- 5        (4) Section 237-27.5 (General excise tax; air pollution
- 6                control facility);
- 7        (5) Section 237-27.6 (General excise tax; solid waste
- 8                processing, disposal, and electric generating
- 9                facility; certain amounts exempt);
- 10       (6) Section 237-28.1 (General excise tax; exemption of
- 11               certain shipbuilding and ship repair business);
- 12       (7) Section 237-29.5 (General excise tax; exemption for
- 13               sales of tangible personal property shipped out of the
- 14               State);
- 15       (8) Section 237-29.53 (General excise tax; exemption for
- 16               contracting or services exported out of State); and
- 17       (9) Section 237-29.55 (General excise tax; exemption for
- 18               sale of tangible personal property for resale at
- 19               wholesale).
- 20       (f) The following sections shall be repealed on
- 21       December 31, 2014:



1        (1) 237-29.7 (General excise tax; exemption of insurance  
2            companies);

3        (2) Section 237-29.8 (General excise tax; call centers;  
4            exemption; engaging in business; definitions);

5        (3) Section 239-5.5 (Public service company tax; surcharge  
6            amounts exempt);

7        (4) Section 239-12 (Public service company tax; call  
8            centers; exemption; engaging in business;  
9            definitions);

10       (5) Section 240-1.5 (Public utilities franchise tax;  
11           surcharge amounts exempt);

12       (6) Section 241-4.5 (Banks and financial institutions;  
13           capital goods excise tax credit);

14       (7) Section 241-4.6 (Banks and financial institutions;  
15           renewable energy technologies tax credit);

16       (8) Section 241-4.8 (Banks and financial institutions;  
17           high technology business investment tax credit);

18       (9) Section 244D-4.3 (Liquor tax; exemption for sales of  
19           liquor out of the State); and

20       (10) Section 247-3 (Exemptions (conveyance tax)).

21        **§235-B Evaluation; report.**    (a) The department of  
22        business, economic development, and tourism and the department



1 of human services, pursuant to section 235-A, shall evaluate the  
2 tax credits and tax exemptions subject to repeal pursuant to  
3 that section and submit an evaluation report to the legislature  
4 prior to the convening of the regular session of the year of the  
5 repeal date. The evaluation shall assess whether the tax  
6 credits and tax exemptions:

- 7 (1) Have achieved or are achieving their intended  
8 objectives;
- 9 (2) Are consistent with public policies; and
- 10 (3) Should be reenacted, modified, or permitted to expire.

11 (b) If the department of business, economic development,  
12 and tourism or the department of human services, as the case may  
13 be, find that the law establishing the tax credits and tax  
14 exemptions should be modified, the department of business,  
15 economic development, and tourism or the department of human  
16 services, as appropriate, shall incorporate, in their respective  
17 reports, drafts of recommended legislation to be considered for  
18 enactment and that, if enacted, would improve the policies,  
19 procedures, and practices of the tax credits or tax exemptions.

20 (c) The department of taxation shall assist the department  
21 of business, economic development, and tourism and the  
22 department of human services in collecting and reporting data as



1 the department of business, economic development, and tourism  
2 and the department of human services may require to conduct the  
3 evaluation. Even if the department of business, economic  
4 development, and tourism or the department of human services  
5 find that the law establishing the tax credits and tax  
6 exemptions should not be reenacted, the department of business,  
7 economic development, and tourism or the department of human  
8 services shall evaluate the effectiveness and efficiency of the  
9 tax credits and tax exemptions and make appropriate  
10 recommendations to improve the policies, procedures, and  
11 practices.

12 The legislature may hold a public hearing on each  
13 evaluation report. If the department of business, economic  
14 development, and tourism or the department of human services  
15 find that the law establishing a tax credit or tax exemption  
16 should be permitted to expire, the department of business,  
17 economic development, and tourism or the department of human  
18 services shall make recommendations, if needed, for appropriate  
19 restrictions to be placed on the tax credits or tax exemptions  
20 subsequent to the termination of the tax credit or exemption."

21 SECTION 2. In codifying the new sections added by section  
22 1 of this Act, the revisor of statutes shall substitute







1 appropriate section numbers for the letters used in designating  
2 the new sections in this Act.



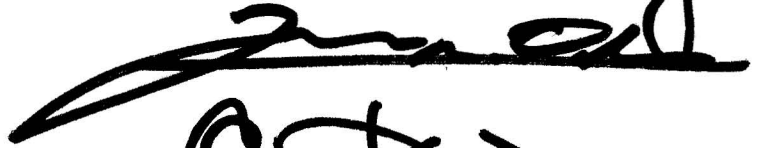
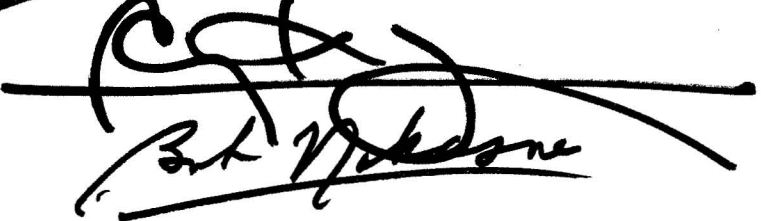
3 SECTION 3. New statutory material is underscored.

4 SECTION 4. This Act shall take effect upon its approval.

5

INTRODUCED BY:

JAN 22 2008



**Report Title:**

Tax Credits; Tax Exemptions; Evaluation

**Description:**

Requires the department of business, economic development, and tourism, and the department of human services to evaluate certain tax credits and tax exemptions and report to legislature as to whether they should be modified, reenacted, or repealed. Provides automatic repeal of the tax credits and tax exemptions unless extended by the legislature.

