
A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 SECTION 1. Chapter 231, Hawaii Revised Statutes, is
2 amended by adding two new sections to be appropriately
3 designated and to read as follows:

4 "§231-A Erroneous claim for refund or credit. Unless a
5 person making a claim for a tax refund or credit in an excessive
6 amount can prove that there is a reasonable basis for the claim,
7 the person shall be liable for a penalty in an amount equal to
8 twenty per cent of the excessive amount. For the purposes of
9 this section, the term "excessive amount" means the amount that
10 exceeds the amount of a claim for a refund or credit that is
11 allowed by law; provided that the excessive amount is greater
12 than \$5,000.

13 §231-B Tax credits and exemptions; evaluation; report.

14 (a) The department shall perform an evaluation of the tax
15 credits or tax exemptions provided in title 14 and scheduled for
16 repeal in section 2 of Act _____, Session Laws of Hawaii 2008.

17 (b) The department shall submit reports of the evaluations



1 required by this section to the legislature no later than twenty
2 days prior to the convening of:

3 (1) The regular session of 2009 for credits and exemptions
4 that will be repealed on December 31, 2010;

5 (2) The regular session of 2010 for credits and exemptions
6 that will be repealed on December 31, 2011; and

7 (3) The regular session of 2011 for credits and exemptions
8 that will be repealed on December 31, 2012;

9 provided that no later than twenty days prior to the convening
10 of the regular sessions of 2009 and 2010, the department shall
11 also submit a progress report to the legislature on the planned
12 uses and actual expenditures associated with the report.

13 (c) In evaluating the economic effects of the tax credits
14 and tax exemptions provided in title 14 and scheduled for repeal
15 in Act , Session Laws of Hawaii 2008, the department may:

16 (1) Contract with recognized technical experts
17 knowledgeable in the field of economics;

18 (2) Establish a technical advisory group, which may
19 include the department of labor and industrial
20 relations, department of agriculture, department of
21 commerce and consumer affairs, department of
22 transportation, department of human services, and



1 department of business, economic development, and
2 tourism, to help identify and develop the data
3 elements needed for the analyses; and

4 (3) Collect, process, and analyze data from federal,
5 state, and local government sources.

6 (d) The data and economic analyses provided by the
7 department in its reports to the legislature shall provide
8 information sufficient to allow the legislature to determine
9 whether the tax credits and tax exemptions provided under title
10 14 have achieved or are achieving their intended objectives,
11 whether they are consistent with public policies, and whether
12 they should be continued, modified, or permitted to expire.

13 (e) If the department recommends that a tax credit or tax
14 exemption should be modified, it shall provide with its report
15 to the legislature, and with the assistance from the departments
16 listed in subsection (c)(2), proposed draft legislation that,
17 upon enactment, would effect the recommended modifications.

18 (f) If the department recommends that the law establishing
19 a tax credit or tax exemption should not be continued, it shall
20 make appropriate recommendations, with assistance from the
21 departments listed in subsection (c)(2), to improve the
22 operation of the tax credit or tax exemption, including



1 recommendations for appropriate restrictions to be placed on the
2 tax credit or tax exemption."

3 SECTION 2. Repeal dates for tax credits and exemptions.

4 (a) The following sections shall be repealed on December 31,
5 2010:

6 (1) Section 235-9.5 (stock options from qualified high
7 technology businesses excluded from taxation);

8 (2) Section 235-15 (tax credits to promote the purchase of
9 child passenger restraint systems);

10 (3) Section 235-110.2 (credit for school repair and
11 maintenance);

12 (4) Section 235-110.51 (technology infrastructure
13 renovation tax credit);

14 (5) Section 237-24 (general excise tax; amounts not
15 taxable), except for section 237-24(6) (salaries or
16 wages for services rendered);

17 (6) Section 237-24.3 (general excise tax; additional
18 amounts not taxable);

19 (7) Section 237-24.9 (general excise tax; aircraft service
20 and maintenance facility);

21 (8) Section 237-27 (general excise tax; exemption of
22 certain petroleum refiners);



- 1 (9) Section 237-29.53 (general excise tax; exemption for
2 contracting or services exported out of state);
- 3 (10) Section 237-29.55 (general excise tax; exemption for
4 sale of tangible personal property for resale at
5 wholesale);
- 6 (11) Section 237-29.8 (general excise tax; call centers;
7 exemption; engaging in business; definitions); and
- 8 (12) Section 239-12 (public service company tax; call
9 centers; exemption; engaging in business;
10 definitions).
- 11 (b) The following sections shall be repealed on
12 December 31, 2011:
- 13 (1) Section 235-110.6 (fuel tax credit for commercial
14 fishers);
- 15 (2) Section 235-110.7 (capital goods excise tax credit);
- 16 (3) Section 237-16.8 (general excise tax; exemption of
17 certain convention, conference, and trade show fees);
- 18 (4) Section 237-23 (general excise tax; exemptions,
19 persons exempt, applications for exemption), except
20 for section 237-23(a)(1) (public service companies);



- 1 (5) Section 237-23.5 (general excise tax; related
2 entities; common paymaster; certain exempt
3 transactions);
- 4 (6) Section 237-24.5 (general excise tax; additional
5 exemptions);
- 6 (7) Section 237-24.7 (general excise tax; additional
7 amounts not taxable);
- 8 (8) Section 237-24.75 (general excise tax; additional
9 exemptions);
- 10 (9) Section 237-25 (general excise tax; exemptions of
11 sales and gross proceeds of sales to federal
12 government, and credit unions);
- 13 (10) Section 237-28.1 (general excise tax; exemption of
14 certain shipbuilding and ship repair business); and
- 15 (11) Section 237-29.5 (general excise tax; exemption for
16 sales of tangible personal property shipped out of the
17 state).
- 18 (c) The following sections shall be repealed on
19 December 31, 2012:
- 20 (1) Section 235-12.5 (renewable energy technologies;
21 income tax credit);



- 1 (2) Section 235-17 (motion picture, digital media, and
- 2 film production income tax credit);
- 3 (3) Section 235-110.8 (low-income housing tax credit);
- 4 (4) Section 237-26 (general excise tax; exemption of
- 5 certain scientific contracts with the United States);
- 6 (5) Section 237-27.5 (general excise tax; air pollution
- 7 control facility);
- 8 (6) Section 237-27.6 (general excise tax; solid waste
- 9 processing, disposal, and electric generating
- 10 facility; certain amounts exempt);
- 11 (7) Section 237-29 (general excise tax; exemptions for
- 12 certified or approved housing projects);
- 13 (8) Section 241-4.7 (low-income housing; income tax
- 14 credit); and
- 15 (9) Section 244D-4.3 (liquor tax; exemption for sales of
- 16 liquor out of the state).

17 SECTION 3. There is appropriated out of the general
 18 revenues of the State of Hawaii the sum of \$ _____ or so much
 19 thereof as may be necessary for fiscal year 2008-2009 to carry
 20 out the purposes of this Act, including additional resources,
 21 funding for _____ permanent, full-time equivalent (_____ .00
 22 FTE) positions (an economist, a research statistician, and an



1 administrative rules specialist) in the department of taxation,
2 and to reimburse other state agencies for costs incurred in
3 performing tasks required by this Act.

4 The sum appropriated shall be expended by the department of
5 taxation for the purposes of this Act.

6 SECTION 4. In codifying the new sections added by section
7 1 of this Act, the revisor of statutes shall substitute
8 appropriate section numbers for the letters used in designating
9 the new sections in this Act.

10 SECTION 5. New statutory material is underscored.

11 SECTION 6. This Act shall take effect on July 1, 2020.



Report Title:

Tax Credits; Tax Exemptions; Evaluation

Description:

Requires the Department of Taxation to evaluate certain tax credits and tax exemptions and report to the Legislature. Provides for automatic repeal of the tax credits and tax exemptions. Provides penalty for excessive amounts filed for tax refunds and credits. (SB2829 HD2)

