

Honolulu, Hawaii

Ajly , 2008

RE: S.B. No. 2829
S.D. 2
H.D. 2

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Fourth State Legislature
Regular Session of 2008
State of Hawaii

Sir:

Your Committee on Finance, to which was referred S.B. No. 2829, S.D. 2, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this bill is to allow the Legislature to determine whether certain tax credits and exemptions serve their intended purposes and should be continued by:

- (1) Establishing three groups of tax credits and exemptions to be repealed on three different dates: December 31, 2010, December 31, 2011, and December 31, 2012;
- (2) Requiring the Department of Taxation (DOTAX) to evaluate the tax credits by their repeal dates, and submit reports to the Legislature in 2010, 2011, and 2012 on whether these credits should be continued, modified, or permitted to expire;
- (3) Providing that the report also contain suggestions for modifying and improving credits and exemptions, including those not recommended for continuation;
- (4) Requiring the Department of Human Services (DHS) instead of DOTAX to evaluate certain credits and exemptions and that DHS's reports be included in DOTAX's reports;



- (5) Appropriating funds for an economist, research statistician, and administrative rules specialist to assist DOTAX in performing its duties under this measure; and
- (6) Establishing a penalty for persons who cannot show a reasonable basis for a claimed tax refund or credit that exceeds the amount allowed by law.

The Hawaii Government Employees Association supported this bill. The Hawaii Housing Finance and Development Corporation, Chamber of Commerce of Hawaii, PacifiCap Group, LLC, NovaSol, Hawaii Science and Technology Council, Oceanit, Sopogy, Alexander & Baldwin, Inc., Hawaii Solar Energy Association, Hawaiian Telcom, Oceanic Institute, Twin Chimneys Entertainment LLC, Kauai Chamber of Commerce, Makai Motion Pictures LLC, Hong Kong China Hawaii Chamber of Commerce, Hawaii Renewable Energy Alliance, SunEdison, 3 Financial Group, Oceantek Inc., Ocean Network, Pacific LightNet, Kukuipahu Energy, LLC, Carbon Diversion, Inc., American Council of Life Insurers, L'amour Wedding/Bridal Salon, Oahu Ethanol Corporation, Ethanol Research Hawaii, LLC, Pacific West Energy, LLC, PreNetSys, Hawaiian Electric Company, Inc., Maui Electric Company, Hawaii Electric Light Company, Inc., and numerous concerned individuals opposed this measure.

The Hawaii Tourism Authority, DOTAX, DHS, County of Hawaii Office of Housing and Community Development, Tax Foundation of Hawaii, Military Affairs Council, Hawaii Association of REALTORS, Hawaii Film and Entertainment Board, and Zero Emissions provided comments.

Your Committee has amended this bill by:

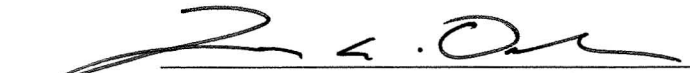
- (1) Limiting liability for claims for tax refunds or credits in excessive amounts to claims that are at least \$5,000 in excess of what is allowed by law;
- (2) Removing the following from the repeal and evaluation requirements:
 - (A) The general excise tax exemption for public utilities, motor carriers, and contract carriers;
 - (B) The general excise tax exemption for amounts received as salaries or wages for services rendered by an employee to an employer;



- (C) The public service company tax credit for lifeline telephone service; and
- (D) The ethanol facility tax credit;
- (3) Changing the effective date to July 1, 2020, to encourage further discussion; and
- (4) Making technical, nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2829, S.D. 2, H.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 2829, S.D. 2, H.D. 2.

Respectfully submitted on
behalf of the members of the
Committee on Finance,


MARCUS R. OSHIRO, Chair



