
A BILL FOR AN ACT

RELATING TO TAX EXPENDITURES.

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

1 SECTION 1. The legislature finds that the ability to make
2 fiscally sound and effective spending decisions would be
3 enhanced by requiring an evaluation of all tax expenditures.
4 Tax expenditures are essentially government spending programs
5 administered through the state tax system. Tax expenditures are
6 usually less visible than other types of public spending, which
7 makes it harder to evaluate their effectiveness. Fiscal
8 accountability necessitates a review of the fairness and
9 efficiency of all tax exclusions, tax exemptions, tax deferrals,
10 preferential tax rates, and tax credits. The legislature
11 believes that an accurate and accountable state budget should
12 reflect the true costs of tax expenditures and should fund only
13 those tax expenditures that are effective and efficient uses of
14 limited tax dollars.

15 The legislature further finds that it is in the best
16 interest of this State to have prepared an annual report of tax
17 expenditures that will allow policymakers to identify and
18 analyze tax expenditures and to periodically make criteria-based



1 decisions on whether these expenditures should be continued.
2 The tax expenditure report under this Act will allow tax
3 expenditures to be scrutinized in conjunction with the state
4 budget and will result in the elimination of inefficient and
5 inappropriate tax expenditures, resulting in greater
6 accountability by state government.

7 SECTION 2. Chapter 231, Hawaii Revised Statutes, is
8 amended by adding a new section to be appropriately designated
9 and to read as follows:

10 "§231- Tax expenditure report to legislature. (a) As
11 used in this section, "tax expenditure" means a tax credit, tax
12 deduction, tax exclusion, tax exemption, or any other tax
13 benefit that is provided by state law.

14 (b) On or before September 15 in each odd-numbered year,
15 the department of taxation shall submit to the legislature a
16 report of all tax expenditures currently in effect. This report
17 shall also be provided in each even-numbered year, but may be
18 limited to new or revised tax expenditures and to significant
19 updates, revisions, or corrections in the prior year's report.

20 (c) The tax expenditures report shall contain the
21 following information:

22 (1) A detailed description of each tax expenditure;



- 1 (2) The statutory authority for each tax expenditure;
- 2 (3) The purpose and original intent of each tax
- 3 expenditure;
- 4 (4) The actual revenue loss for the most recent fiscal
- 5 year for each tax expenditure year, or an estimate if
- 6 the actual amount cannot be determined; and
- 7 (5) Whether each tax expenditure has successfully achieved
- 8 the purpose for which the tax expenditure was enacted
- 9 and currently serves, including but not limited to:
- 10 (A) The extent to which the tax expenditure is a
- 11 successful policy tool;
- 12 (B) The cost-effectiveness of the tax expenditure;
- 13 (C) Potential policy alternatives for achieving the
- 14 policy goals of the tax expenditure; and
- 15 (D) The feasibility of repealing or continuing each
- 16 tax expenditure.
- 17 (d) Any legislation establishing new or expanded tax
- 18 expenditures or extending the sunset date of an existing tax
- 19 expenditure shall include the following:
- 20 (1) A sunset provision;



- 1 (2) A requirement for an evaluation study that also may
2 include requirements for the submission of information
3 by taxpayers benefiting from a tax expenditure;
4 (3) Recapture provisions if a taxpayer fails to meet any
5 requirements that are necessary to qualify for the new
6 tax benefit; and
7 (4) Measurable goals or objectives."

8 SECTION 3. New statutory material is underscored.

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

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INTRODUCED BY: 024.2 (AR)

JAN 26 2009



Report Title:

Tax Expenditures

Description:

Requires an annual review of all state tax expenditures.

