

JAN 28 2009

S.B. NO. 1207

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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. As Hawaii nears the fiftieth anniversary of its  
2 statehood, there is no better time to review and evaluate one of  
3 state and local government's most import functions -- taxation.  
4 Taxation not only provides revenue for government programs and  
5 operations, it is a reflection of the goals, priorities, and  
6 values of our community. Taxes serve as a means to direct  
7 social and economic policy, providing incentives and deterrents  
8 to impact human and corporate behavior to achieve economic and  
9 social goals. Taxes can also provide a fair and equitable way  
10 to balance the needs and resources of Hawaii's diverse taxpaying  
11 residents and entities.

12           Applied to dozens of revenue sources ranging from  
13 individual and corporate income, real property, transit  
14 accommodations, fuel, general excise, liquor, tobacco,  
15 unemployment, conveyance and other sources, Hawaii's tax system  
16 has evolved over the decades. Whenever tax authorizations are  
17 established, lawmakers make those decisions considering social,  
18 economic and community goals and conditions that are relevant at



1 the time. As time passes, however, economic and social  
2 conditions change, calling into question the relevancy,  
3 effectiveness, or applicability of the goals and purposes of the  
4 tax when created. Some existing tax laws were enacted before  
5 statehood and continue to be imposed on residents and entities  
6 without review and update.

7 The purpose of this Act is to obtain the information and  
8 perspectives necessary to enact legislation that will improve  
9 and adjust Hawaii's tax code to meet current and future  
10 community goals.

11 SECTION 2. (a) There is established and attached to the  
12 department of budget and finance for administrative purposes  
13 only, the Hawaii tax review initiative, the purpose of which  
14 shall be to explore the historical development and evolution of  
15 taxation in Hawaii to determine if the State's tax policies are  
16 relevant and effective in achieving Hawaii's current long-term  
17 economic and social goals and objectives.

18 (b) Five local and national tax and economics specialists  
19 shall be appointed to the Hawaii tax review initiative and shall  
20 review the State's tax code and comment on how the State's tax  
21 policy impacts:

22 (1) Economic development and diversification;



1 (2) Low, middle, and upper income resident taxpayers;

2 (3) State and county government operations;

3 (4) Urban, agricultural, rural, and conservation land  
4 uses; and

5 (5) Relevancy and effectiveness of the tax code under  
6 current circumstances.

7 (c) The members of the Hawaii tax review initiative shall  
8 be appointed without regard to section 26-34 as follows:

9 (1) Two by the speaker of the house of representatives;

10 (2) Two by the president of the senate; and

11 (3) One by the governor;

12 provided that three members shall be national tax scholars and  
13 two shall be local tax and economic specialists.

14 (c) Members of the Hawaii tax review initiative shall  
15 serve without compensation but shall be reimbursed for necessary  
16 expenses, including travel expenses.

17 (d) The Hawaii tax review initiative shall submit a  
18 written report of its findings and recommendations, including  
19 any proposed legislation, to the legislature no later than  
20 twenty days prior to the convening of the regular session of  
21 2010 and participate in a statewide tax symposium to be



1 presented to the legislature and general public during the  
2 regular session of 2010.

3 (e) The Hawaii tax review initiative shall cease to exist  
4 on June 30, 2010.

5 SECTION 3. There is appropriated out of the general  
6 revenues of the State of Hawaii the sum of \$ or so much  
7 thereof as may be necessary for fiscal year 2009-2010 for the  
8 operations of the Hawaii tax review initiative.

9 The sum appropriated shall be expended by the department of  
10 budget and finance for the purposes of this Act.

11 SECTION 4. This Act shall take effect on July 1, 2009.

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**Report Title:**

Taxation; Hawaii Tax Review Initiative

**Description:**

Establishes the Hawaii tax review initiative to review and report on whether Hawaii's tax policies are relevant and effective in achieving Hawaii's long-term economic and social goals and objectives.

