

STAND. COM. REP. NO.

1322

Honolulu, Hawaii

APR 09 2009

RE: H.B. No. 611  
H.D. 1  
S.D. 1

Honorable Colleen Hanabusa  
President of the Senate  
Twenty-Fifth State Legislature  
Regular Session of 2009  
State of Hawaii

Madam:

Your Committee on Ways and Means, to which was referred H.B. No. 611, H.D. 1, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this measure is to require the Department of Taxation and the Department of Business, Economic Development, and Tourism to compile necessary information to enable the Legislature to evaluate the numerous tax credits and exemptions provided under existing state law to determine whether each tax credit or exemption is meeting the purpose for which it was established and whether each should be amended, repealed, or allowed to be extended with a sunset date.

Specifically, this measure:

- (1) Adds a new part to chapter 235, Hawaii Revised Statutes, to clarify the application of the capital goods excise tax credit on property eligible for the capital goods excise tax credit that is placed in service in taxable years beginning after December 31, 2011;
- (2) Suspends the capital goods excise tax credit to any taxpayer for taxable years beginning on or after July 1, 2009, and ending on or before December 31, 2011;



- (3) Amends section 235-20, Hawaii Revised Statutes, allowing moneys in the tax administration special fund to be used for compiling usage and other relevant data to analyze the costs and benefits of state tax laws;
- (4) Adds to amounts not taxable under section 237-24, Hawaii Revised Statutes, amounts received from the loading, transportation, and unloading of agricultural products shipped for a producer on one island in the State to another person on another island in the State; and
- (5) Requires the Department of Taxation and Department of Business, Economic Development, and Tourism, in each of the next four years, to perform an evaluation of certain specified tax credits and tax exemptions for each year and submit to the Legislature, twenty days prior to the convening of each regular session of 2010 through 2013, a report on the tax credits and tax exemptions subject to review for that year, that shall provide usage and revenue data, economic analysis, and other information sufficient for the Legislature to determine whether the tax credits and tax exemptions evaluated have or are achieving their intended objectives and whether they should be continued, modified, or repealed. If, in any year the Department of Taxation, with the assistance of the Department of Business, Economic Development, and Tourism, does not submit to the Legislature a complete and accurate evaluation on a particular tax credit or tax exemption by no later than the twenty days prior to the next regular session when first originally due, that particular tax credit or tax exemption shall not be available to be claimed after the end of the tax year when the report was first due.

Your Committee received six written comments on this measure. The written comments may be reviewed on the Legislature's website.

Your Committee finds that in these troubled economic times with projected reductions in revenues, it is incumbent upon the Legislature to thoroughly evaluate existing tax credits and tax exemptions to ensure that they are fulfilling the intended particular purposes for which the tax credits or exemptions were adopted-for the benefit for Hawaii's economy. This measure institutes an ongoing program of evaluation of tax credits and tax exemptions by the Legislature that will determine whether a tax



credit or tax exemption should be modified, repealed, or allowed to continue, with or without an appropriate sunset provision.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 611, H.D. 1, S.D. 1, and recommends that it pass Third Reading.

Respectfully submitted on  
behalf of the members of the  
Committee on Ways and Means,



DONNA MERCADO KIM, Chair



