
A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 SECTION 1. The legislature finds that, each year
2 approximately \$1,000,000,000 is given away in tax dollars in the
3 form of tax exemptions, deductions, and credits to certain
4 segments of the community. While many, if not all are for good
5 reasons and programs, these tax "giveaways" are perpetual and
6 require little or no legislative oversight. This is an unfair
7 system, considering core programs such as education, public
8 safety, health care programs, including the medicare and
9 medicaid programs, and others must face legislative scrutiny
10 before receiving continued funding.

11 It is the intent of the legislature to review and analyze
12 certain tax credits, exclusions, and exemptions and to consider
13 whether any of these tax credits, exclusions, and exemptions
14 should be allowed to continue, be amended, or be permitted to
15 expire.

16 The purpose of this Act is to provide a review of certain
17 tax credits, exclusions, and exemptions to facilitate the



1 authorization or reauthorization of successful programs and to
2 do so at a cost that can be accommodated by the State's annual
3 budget.

4 SECTION 2. (a) Every person claiming a tax credit,
5 exclusion, or exemption that is listed under section 3 shall
6 complete and file with the director of taxation through the
7 department of taxation's website, an annual statistical report
8 on electronic forms prepared and prescribed by the department.
9 The annual statistical report shall be filed before June 30 of
10 each calendar year following the five calendar years in which
11 the tax credit, exclusion, or exemption is claimed. The
12 department may adjust the due date of the annual statistical
13 report by rule adopted in accordance with chapter 91, Hawaii
14 Revised Statutes.

15 (b) The annual statistical report shall include the
16 following information for the time period or periods specified
17 by the department of taxation:

- 18 (1) Amount of tax credit claimed;
- 19 (2) Number of jobs created based on the tax credit;
- 20 (3) Job quality standards provided by the taxpayer;
- 21 (4) Amount of tax credit recaptured, if any; and



1 (5) Conformance by the taxpayer with the purpose of the
2 tax credit, exclusion, or exemption.

3 The department shall request information in each of these
4 categories sufficient to measure the effectiveness of the tax
5 credit, exclusion, or exemption. In preparing the report, the
6 department shall ensure against duplicative reporting
7 requirements.

8 (c) Any person that claims a tax credit, exclusion, or
9 exemption that is listed under section 3 who fails to file the
10 annual statistical report by the due date, or any extension
11 thereof, in the year following the year in which the tax credit,
12 exclusion, or exemption was claimed or fails to include the
13 required data in the annual statistical report, shall be
14 assessed a penalty of \$1,000 per month for each month the annual
15 statistical report is not filed not to exceed a total of \$6,000
16 for every annual statistical report not filed. Penalties
17 collected under this subsection shall be deposited into the
18 general fund.

19 (d) The department of taxation shall use the statistical
20 information collected under this section to:

21 (1) Prepare summary descriptive statistics by category.

22 The information shall be reported at the aggregate



1 level to prevent compromising the identities of
2 persons claiming a tax credit, exclusion, or exemption
3 that is listed under section 3 or other confidential
4 information; and

- 5 (2) Study the effectiveness of each tax credit, exclusion,
6 and exemption that is listed under section 3.

7 The department shall report the results of its study to the
8 legislature by December 1 of each year.

9 (e) The department of taxation shall adopt rules pursuant
10 to chapter 91, Hawaii Revised Statutes, to implement this
11 section.

12 **SECTION 3. Certain tax credits, exclusions, and exemptions**
13 **subject for review.** (a) All of the following tax credits,
14 exclusions, or exemptions shall be subject for review under
15 section 2:

16 (1) Section 182-16, Hawaii Revised Statutes (sales of
17 geothermal power);

18 (2) Section 209E-11, Hawaii Revised Statutes (enterprise
19 zone construction and sales);

20 (3) Section 212-8, Hawaii Revised Statutes (foreign trade
21 zone sales);



- 1 (4) Section 235-12.5, Hawaii Revised Statutes (renewable
2 energy technologies; income tax credit);
- 3 (5) Section 235-17, Hawaii Revised Statutes (motion
4 picture, digital media, and film production income tax
5 credit);
- 6 (6) Section 235-110.3, Hawaii Revised Statutes (ethanol
7 facility tax credit);
- 8 (7) Section 235-110.51, Hawaii Revised Statutes
9 (technology infrastructure renovation tax credit);
- 10 (8) Section 235-110.6, Hawaii Revised Statutes (fuel tax
11 credit for commercial fishers);
- 12 (9) Section 235-110.7, Hawaii Revised Statutes (capital
13 goods excise tax credit);
- 14 (10) Section 235-110.93, Hawaii Revised Statutes (important
15 agricultural land qualified agricultural cost tax
16 credit);
- 17 (11) Subparagraph (C) of paragraph (3) of section 237-13,
18 Hawaii Revised Statutes (federal cost-plus
19 contractors' exemption for materials, plant, and
20 equipment);
- 21 (12) Paragraph (14) of section 237-24, Hawaii Revised
22 Statutes (general excise tax; amounts not taxable);



- 1 (13) Paragraph (1) of section 237-24.3, Hawaii Revised
2 Statutes (certain amounts received for loading and
3 unloading agricultural commodities shipped
4 interisland);
- 5 (14) Paragraph (2) of section 237-24.3, Hawaii Revised
6 Statutes (sales of liquor, tobacco products, and meat
7 and fish products for out-of-state consumption on
8 ships or airplanes);
- 9 (15) Paragraph (4) of section 237-24.3, Hawaii Revised
10 Statutes (amounts received from loading or unloading
11 ships, tugboat services, certain transport of pilots
12 or other government officials);
- 13 (16) Paragraph (12) of section 237-24.3, Hawaii Revised
14 Statutes (gross receipts from rental or leasing of
15 aircraft or aircraft engines used for interstate
16 transport);
- 17 (17) Paragraph (2) of section 237-24.7, Hawaii Revised
18 Statutes (gross receipts from operating a county
19 transportation system);
- 20 (18) Section 237-24.75, Hawaii Revised Statutes (general
21 excise tax; additional exemptions);



- 1 (19) Section 237-24.9, Hawaii Revised Statutes (general
2 excise tax; aircraft service and maintenance
3 facility);
- 4 (20) Section 237-25, Hawaii Revised Statutes (general
5 excise tax; exemptions of sales and gross proceeds of
6 sales to federal government, and credit unions);
- 7 (21) Section 237-26, Hawaii Revised Statutes (general
8 excise tax; exemption of certain scientific contracts
9 with the United States);
- 10 (22) Section 237-27, Hawaii Revised Statutes (general
11 excise tax; exemption of certain petroleum refiners);
- 12 (23) Section 237-27.6, Hawaii Revised Statutes (general
13 excise tax; solid waste processing, disposal, and
14 electric generating facility; certain amounts exempt);
- 15 (24) Section 237-28.1, Hawaii Revised Statutes (general
16 excise tax; exemption of certain shipbuilding and ship
17 repair business);
- 18 (25) Section 237-29.8, Hawaii Revised Statutes (general
19 excise tax; call centers; exemption; engaging in
20 business; definitions);



- 1 (26) Section 239-12, Hawaii Revised Statutes (public
2 service company tax; call centers; exemption; engaging
3 in business; definitions);
- 4 (27) Section 241-4.5, Hawaii Revised Statutes (banks and
5 other financial corporations tax; capital goods excise
6 tax credit);
- 7 (28) Section 241-4.6, Hawaii Revised Statutes (banks and
8 other financial corporations tax; renewable energy
9 technologies; income tax credit);
- 10 (29) Section 241-4.8, Hawaii Revised Statutes (banks and
11 other financial corporations tax; high technology
12 business investment tax credit); and
- 13 (30) Section 244D-4.3, Hawaii Revised Statutes (liquor tax;
14 exemption for sales of liquor out of the State).
- 15 SECTION 4. This Act shall take effect on July 1, 2050.



Report Title:

Tax Credits, Exclusions, and Exemptions; Evaluation

Description:

Requires the department of taxation to evaluate certain tax credits, exclusions, and exemptions and report to the legislature. Effective 7/1/50. (SD1)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

