

JAN 16 2014

A BILL FOR AN ACT

RELATING TO GOVERNMENT ACCOUNTABILITY.

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

1 SECTION 1. The legislature finds that requiring an
2 evaluation of all tax expenditures by the State will better
3 enable the legislature to make fiscally-sound and effective
4 spending decisions. Tax expenditures are essentially derived
5 from the revenues generated from the tax code and they generally
6 are used to support the government's spending programs. Tax
7 expenditures are usually less visible than other types of public
8 spending, which makes it harder to evaluate their effectiveness.
9 Fiscal accountability necessitates a review of the fairness and
10 efficiency of all tax exclusions, tax exemptions, tax deferrals,
11 preferential tax rates, and tax credits. The legislature
12 believes that an accurate and accountable state budget should
13 reflect the true costs of tax expenditures and fund only those
14 government spending programs that are effective and efficient
15 uses of limited tax revenue dollars.
16 The legislature further finds that it is in the best interest of
17 this State to have an annual report on tax expenditures prepared
18 that will allow policymakers to better identify and analyze tax



1 expenditures and to periodically make criteria-based decisions
2 on whether the tax expenditures should be continued. The annual
3 report on tax expenditures will allow the spending of the
4 revenues generated under the tax code to be analyzed and debated
5 in conjunction with the state budget as well as the internal
6 budgets of state departments and agencies. The annual report
7 will also provide a mechanism to eliminate inefficient and
8 inappropriate tax expenditures that will result in greater
9 accountability and effectiveness of state government and its
10 spending programs.

11 SECTION 2. Chapter 231, Hawaii Revised Statutes, is amended
12 by adding two new sections to be appropriately designated and to
13 read as follows:

14 "§231- Annual report on tax expenditures; definition. (a) On or
15 before September 15 in each odd-numbered year the department
16 shall submit to the legislature an annual report on all tax
17 expenditures currently in effect in the State.

18 (b) As used in this section, "tax expenditure" means a credit,
19 deduction, exclusion, exemption, or any other tax benefit
20 provided under state law.

21 (c) The annual report on tax expenditures shall contain the
22 following information:



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

18 **§231- Tax expenditures; required elements.** Any legislation

19 establishing new or expanded tax expenditures or extending the

20 sunset date for an existing tax expenditure shall include the

21 following: (1) A sunset provision; (2) A requirement for an

22 evaluation or study that may also include requirements for the



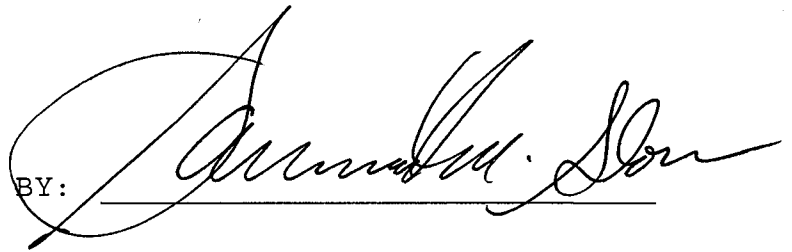
1 submission of information by taxpayers benefiting from a tax
2 expenditure; (3) Recapture provisions if a taxpayer fails to
3 meet any requirements that are necessary to qualify for the new
4 tax benefit; and(4) Measurable goals or objectives."

5 SECTION 3. New statutory material is underscored.

6 SECTION 4. This Act shall take effect on July 1, 2014.

7
8

INTRODUCED BY:





S.B. NO. 2153

Report Title:

State Tax Expenditures; Annual Report; Evaluation

Description:

Requires the department of taxation to provide an annual report on tax expenditures to the legislature on or before September 15th of each odd-numbered year. Requires legislation establishing new tax expenditures to include certain specified provisions.

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

