
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 would 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 are generally
6 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 make effective and efficient
15 use of limited tax revenue dollars.

16 The legislature further finds that it is in the best
17 interest of the State to have an annual report on tax
18 expenditures prepared that would allow policymakers to better



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

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

14 "§231- Biennial report on tax expenditures; definition.

15 (a) On or before September 15 in each odd-numbered year, the
16 department shall submit to the legislature a report on all tax
17 expenditures currently in effect in the State.

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

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

19 **§231-** **Tax expenditures; required elements.** Any
20 legislation that establishes a new tax expenditure, expands an
21 existing tax expenditure, or extends the repeal date for an
22 existing tax expenditure shall include the following:



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

9 SECTION 3. New statutory material is underscored.

10 SECTION 4. This Act shall take effect on July 1, 2017.



Report Title:

State Tax Expenditures; Biennial Report; Evaluation

Description:

Requires the department of taxation to provide a biennial 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. Effective 7/1/2017. (SD1)

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