
A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 SECTION 1. Chapter 231, Hawaii Revised Statutes, is
2 amended by adding a new section to be appropriately designated
3 and to read as follows:

4 "§231- Evaluation of tax credits and tax exemptions;
5 reporting requirements. (a) Commencing on July 1, 2018, and
6 every five years thereafter, the department shall perform an
7 evaluation of all newly enacted tax credits or tax exemptions in
8 title 14 as follows:

9 (1) For the initial evaluation commencing on July 1, 2018,
10 the department shall evaluate all tax credits or tax
11 exemptions that have been enacted during and since the
12 regular session of 2016; and

13 (2) For all subsequent evaluations, the department shall
14 evaluate all newly enacted tax credits or tax
15 exemptions taking effect during the five year period
16 preceding the evaluation.



- 1 (b) The evaluation shall include:
- 2 (1) The intended objective of each tax credit or tax
- 3 exemption;
- 4 (2) The economic effects of each tax credit or tax
- 5 exemption;
- 6 (3) Whether the economic effects achieved by the tax
- 7 credit or tax exemption, if any, meet the intended
- 8 objective of the tax credit or tax exemption;
- 9 (4) The amount of credit taken or exemption granted by
- 10 fiscal year on a cash basis; and
- 11 (5) Whether projections made on enactment of the tax
- 12 credit or tax exemption were achieved.
- 13 (c) The department shall report to the legislature on the
- 14 evaluation required by this section, including proposed
- 15 legislation if appropriate, no later than twenty days prior to
- 16 the convening of the regular session immediately following
- 17 completion of each evaluation. The report shall provide
- 18 information sufficient to allow the legislature to determine
- 19 whether the tax credits and tax exemptions provided under title
- 20 14 are achieving their intended objectives, are consistent with



1 public policies, and whether the credits and exemptions should
2 be continued, modified, or repealed."

3 SECTION 2. (a) The department of taxation shall perform
4 an evaluation of the tax credits or tax exemptions provided in
5 title 14 and listed in section 3 of this Act. The evaluation
6 shall include:

7 (1) The intended objective of each tax credit or tax
8 exemption;

9 (2) The economic effects of each tax credit or tax
10 exemption;

11 (3) Whether the economic effects achieved by the tax
12 credit or tax exemption, if any, meet the intended
13 objective of the tax credit or tax exemption;

14 (4) The amount of credit taken or exemption granted by
15 fiscal year on a cash basis; and

16 (5) Whether projections made on enactment of the tax
17 credit or tax exemption were achieved.

18 (b) The department of taxation shall report to the
19 legislature on the evaluation required by this section no later
20 than twenty days prior to the convening of the regular session
21 of 2018.



1 (c) In evaluating the economic effects of the tax credits
2 and tax exemptions provided in title 14 and listed in section 3
3 of this Act, the department of taxation may:

- 4 (1) Establish a technical advisory group, which may
5 include the department of labor and industrial
6 relations, department of agriculture, department of
7 commerce and consumer affairs, department of
8 transportation, department of human services, and
9 department of business, economic development, and
10 tourism, to help identify and develop the data
11 elements needed for the analyses; and
- 12 (2) Collect, process, and analyze data from federal,
13 state, and local government sources.

14 (d) The data and economic analyses provided by the
15 department of taxation in its report to the legislature shall
16 provide information sufficient to allow the legislature to
17 determine whether the tax credits and tax exemptions provided
18 under title 14 are achieving their intended objectives, are
19 consistent with public policies, and whether the credits and
20 exemptions should be continued, modified, or repealed.



1 (e) If the department of taxation recommends that a tax
2 credit or tax exemption should be modified, it shall provide
3 with its report to the legislature, and with the assistance from
4 the departments listed in subsection (c)(1), proposed draft
5 legislation recommending appropriate modifications.

6 SECTION 3. The department of taxation shall recommend to
7 the legislature whether the following sections shall be repealed
8 on December 31, 2019:

- 9 (1) Section 235-4.5, Hawaii Revised Statutes, (taxation of
10 trusts, beneficiaries; credit);
- 11 (2) Section 235-9, Hawaii Revised Statutes, (exemptions;
12 generally);
- 13 (3) Section 235-9.5, Hawaii Revised Statutes, (stock
14 options from qualified high technology businesses
15 excluded from taxation);
- 16 (4) Section 235-12.5, Hawaii Revised Statutes, (renewable
17 energy technologies; income tax credit);
- 18 (5) Section 235-17, Hawaii Revised Statutes, (motion
19 picture, digital media, and film production income tax
20 credit);



- 1 (6) Section 235-18, Hawaii Revised Statutes, (deposit
2 beverage container deposit exemption);
- 3 (7) Section 235-54, Hawaii Revised Statutes, (exemptions);
- 4 (8) Section 235-55, Hawaii Revised Statutes, (tax credits
5 for resident taxpayers);
- 6 (9) Section 235-110.2, Hawaii Revised Statutes, (credit
7 for school repair and maintenance);
- 8 (10) Section 235-110.3, Hawaii Revised Statutes, (ethanol
9 facility tax credit);
- 10 (11) Section 235-110.51, Hawaii Revised Statutes,
11 (technology infrastructure renovation tax credit);
- 12 (12) Section 235-110.6, Hawaii Revised Statutes, (fuel tax
13 credit for commercial fishers);
- 14 (13) Section 235-110.7, Hawaii Revised Statutes, (capital
15 goods excise tax credit);
- 16 (14) Section 235-110.93, Hawaii Revised Statutes,
17 (important agricultural land qualified agricultural
18 cost tax credit);
- 19 (15) Section 235-129, Hawaii Revised Statutes, (S
20 corporations; tax credits);



- 1 (16) Section 237-16.8, Hawaii Revised Statutes, (general
2 excise tax; exemption of certain convention,
3 conference, and trade show fees);
- 4 (17) Section 237-23, Hawaii Revised Statutes, (general
5 excise tax; exemptions, persons exempt, applications
6 for exemption);
- 7 (18) Section 237-23.5, Hawaii Revised Statutes, (general
8 excise tax; related entities; common paymaster;
9 certain exempt transactions);
- 10 (19) Section 237-24, Hawaii Revised Statutes, (general
11 excise tax; amounts not taxable);
- 12 (20) Section 237-24.3, Hawaii Revised Statutes, (general
13 excise tax; additional amounts not taxable);
- 14 (21) Section 237-24.5, Hawaii Revised Statutes, (general
15 excise tax; additional exemptions);
- 16 (22) Section 237-24.7, Hawaii Revised Statutes, (general
17 excise tax; additional amounts not taxable);
- 18 (23) Section 237-24.75, Hawaii Revised Statutes, (general
19 excise tax; additional exemptions);



- 1 (24) Section 237-24.9, Hawaii Revised Statutes, (general
2 excise tax; aircraft service and maintenance
3 facility);
- 4 (25) 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 (26) Section 237-26, Hawaii Revised Statutes, (general
8 excise tax; exemption of certain scientific contracts
9 with the United States);
- 10 (27) Section 237-27, Hawaii Revised Statutes, (general
11 excise tax; exemption of certain petroleum refiners);
- 12 (28) Section 237-27.5, Hawaii Revised Statutes, (general
13 excise tax; air pollution control facility);
- 14 (29) Section 237-27.6, Hawaii Revised Statutes, (general
15 excise tax; solid waste processing, disposal, and
16 electric generating facility; certain amounts exempt);
- 17 (30) Section 237-28.1, Hawaii Revised Statutes, (general
18 excise tax; exemption of certain shipbuilding and ship
19 repair business);



- 1 (31) Section 237-29, Hawaii Revised Statutes, (general
2 excise tax; exemptions for certified or approved
3 housing projects);
- 4 (32) Section 237-29.5, Hawaii Revised Statutes, (general
5 excise tax; exemption for sales of tangible personal
6 property shipped out of the State);
- 7 (33) Section 237-29.53, Hawaii Revised Statutes, (general
8 excise tax; exemption for contracting or services
9 exported out of State);
- 10 (34) Section 237-29.55, Hawaii Revised Statutes, (general
11 excise tax; exemption for sale of tangible personal
12 property for resale at wholesale);
- 13 (35) Section 237-29.8, Hawaii Revised Statutes, (general
14 excise tax; call centers; exemption; engaging in
15 business; definitions);
- 16 (36) Section 239-5.5, Hawaii Revised Statutes, (public
17 service company tax; surcharge amounts exempt);
- 18 (37) Section 239-6.5, Hawaii Revised Statutes, (public
19 service company tax; tax credit for lifeline telephone
20 service subsidy);



- 1 (38) Section 239-12, Hawaii Revised Statutes, (public
2 service company tax; call centers; exemption; engaging
3 in business; definitions);
- 4 (39) Section 241-4.5, Hawaii Revised Statutes, (banks and
5 other financial corporations tax; capital goods excise
6 tax credit);
- 7 (40) Section 241-4.6, Hawaii Revised Statutes, (banks and
8 other financial corporations tax; renewable energy
9 technologies; income tax credit);
- 10 (41) Section 241-4.7, Hawaii Revised Statutes, (banks and
11 other financial corporations tax; low-income housing;
12 income tax credit);
- 13 (42) Section 241-4.8, Hawaii Revised Statutes, (banks and
14 other financial corporations tax; high technology
15 business investment tax credit); and
- 16 (43) Section 244D-4.3, Hawaii Revised Statutes, (liquor
17 tax; exemption for sales of liquor out of the State).

18 SECTION 4. There is appropriated out of the general
19 revenues of the State of Hawaii the sum of \$ or so much
20 thereof as may be necessary for fiscal year 2016-2017 to conduct



1 the evaluation of tax credits and exemptions as required by
2 section 2 of this Act.

3 The sum appropriated shall be expended by the department of
4 taxation for the purposes of this Act.

5 SECTION 5. New statutory material is underscored.

6 SECTION 6. This Act shall take effect on July 1, 2030.



Report Title:

Tax Credits; Tax Exemptions; Evaluation

Description:

Requires the Department of Taxation to evaluate and recommend the repeal of certain tax credits and tax exemptions and report to the Legislature before the regular session of 2018. Beginning July 1, 2018, and every five years thereafter, requires the Department of Taxation to evaluate new tax credits and exemptions. Makes an appropriation. Effective July 1, 2030. (SD1)

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

