

Honolulu, Hawaii

April 29 , 2016

RE: H.B. No. 1527
H.D. 1
S.D. 1
C.D. 1

Honorable Joseph M. Souki
Speaker, House of Representatives
Twenty-Eighth State Legislature
Regular Session of 2016
State of Hawaii

Honorable Ronald D. Kouchi
President of the Senate
Twenty-Eighth State Legislature
Regular Session of 2016
State of Hawaii

Sirs:

Your Committee on Conference on the disagreeing vote of the House of Representatives to the amendments proposed by the Senate in H.B. No. 1527, H.D. 1, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

having met, and after full and free discussion, has agreed to recommend and does recommend to the respective Houses the final passage of this bill in an amended form.

The purpose of this measure is to require the Department of Taxation to evaluate and make recommendations regarding the repeal of certain enumerated tax credits and tax exemptions and to report to the Legislature before the Regular Session of 2018. This measure also requires, beginning on July 1, 2018 and every five years thereafter, the Department to evaluate and make recommendations regarding new tax credits and exemptions.



Your Committee on Conference has amended this measure by:

- (1) Requiring review of enumerated, existing credits, exclusions, and deductions under state income and financial institutions taxes rather than newly enacted tax credits and exemptions;
- (2) Establishing new evaluation guidelines for the review, including determinations of tax expenditure costs over previous fiscal years, whether or not the objectives of each tax credit, exclusion, or deduction have been met and will continue to be met, and the effects of each tax credit, exclusion, or deduction on tax equity and the low-income residents of the State;
- (3) Specifying that the evaluations shall begin in 2019 and setting a schedule for evaluation of specified credits pursuant to a five-year cycle;
- (4) Specifying that the Office of the Auditor, rather than the Department of Taxation, shall perform the review;
- (5) Amending the list of specific tax credits, exclusions, or deductions to be reviewed and the years in which the review of certain credits, exclusions, or deductions is set to begin;
- (6) Removing funding provisions for the review;
- (7) Changing its effective date to July 1, 2018; and
- (8) Making technical, nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the record of votes of the managers of your Committee on Conference that is attached to this report, your Committee on Conference is in accord with the intent and purpose of H.B. No. 1527, H.D. 1, S.D. 1, as amended herein, and recommends that it pass Final Reading in the form attached hereto as H.B. No. 1527, H.D. 1, S.D. 1, C.D. 1.



Respectfully submitted on behalf
of the managers:

ON THE PART OF THE SENATE

ON THE PART OF THE HOUSE



JILL N. TOKUDA, Chair



JO JORDAN, Chair



