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To: The Honorable Sylvia Luke, Chair  
and Members of the House Committee on Finance

Date: Wednesday, February 6, 2019  
Time: 2:00 P.M.  
Place: Conference Room 308, State Capitol

From: Linda Chu Takayama, Director  
Department of Taxation

Re: H.B. 885, Relating to Taxation

The Department of Taxation (Department) offers the following comments on H.B. 885 for the Committee's consideration.

H.B. 885 creates a new section in Hawaii Revised Statutes (HRS) to place a mandatory sunset on all new income tax credits. The mandatory sunset is either a five-year sunset date or a gradual reduction of one-third of the credit over three years. The bill is effective July 1, 2019 and applies beginning January 1, 2020.

First, the Department notes that the intent of this bill is the control of future bills. The Department believes that H.B. 885 will not be effective toward this intent. If this bill becomes law, each new tax credit would be subject to the mandatory sunset. However, because each new tax credit itself is a law duly passed by the Legislature, simply adding "any other law to the contrary notwithstanding" to any bill creating a new tax credit would defeat the mandatory sunset proposed by this bill.

Second, the Department suggests adding a detailed definition of "new credit" to further clarify the application of the mandatory sunset. The definition should address the treatment of existing credits that are amended, existing credits that have sunset dates which are extended, and existing credits that are replaced by new credits contained in the same HRS section number.

Finally, the Department notes that the starting date of the mandatory sunset must be clarified. It is unclear whether the five-year period begins at the time of passage of the credit, the first year the credit can be generated, or the first year the credit can be claimed. The Department recommends the bill be amended to clarify the timing of the mandatory sunset.

Thank you for the opportunity to provide comments.

# TAX FOUNDATION OF HAWAII

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SUBJECT: MISCELLANEOUS, Consolidate Other Green Loan Funds Under HGIA

BILL NUMBER: HB 885

INTRODUCED BY: YAMASHITA, CULLEN, HASHEM, JOHANSON, LUKE

EXECUTIVE SUMMARY: Amends and expands the purpose of the Building Energy Efficiency Revolving Loan Fund to a Clean Energy Revolving Loan Fund. Transfers administration of the Clean Energy Revolving Loan Fund to the Hawaii Green Infrastructure Authority.

SYNOPSIS: The stated purpose of the bill is to strengthen the ability of the Hawaii green infrastructure authority (HGIA) to support investment in clean energy technology and infrastructure by:

- (1) Transferring the administration of the building energy efficiency revolving loan fund to the Hawaii green infrastructure authority;
- (2) Expanding the purpose of the building energy efficiency revolving loan fund to include a broader range of clean energy technologies; and
- (3) Making an appropriation to the clean energy revolving loan fund to make clean energy investment loans or for other approved uses.

Amends section 196-64, HRS, to expand the scope of responsibility of HGIA to include administration of the clean energy revolving fund.

Amends section 201-20, HRS, to rename the building energy efficiency fund to the clean energy revolving loan fund and provide that it would be administered by HGIA.

EFFECTIVE DATE: July 1, 2019.

STAFF COMMENTS: It appears that there is some redundancy in the coverage of the present HGIA programs, the clean energy revolving fund programs, and the building energy efficiency fund programs. The bill proposes to consolidate them under one administration, which seems to make sense.

Digested 2/4/2019



# HAWAII APPLESEED

## CENTER FOR LAW & ECONOMIC JUSTICE

Testimony of Hawai'i Appleseed Center for Law and Economic Justice  
Opposing HB 885 – Relating to Taxation  
House Committee on Finance  
Wednesday, February 6, 2019, 2:00 PM, conference room 308

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Dear Chair Luke, Vice Chair Cullen, and members of the Committee:

Thank you for the opportunity to provide testimony opposing **HB 885**, which would require that new income tax credits include a five-year sunset or a gradual reduction.

While we tax the income of those in poverty in Hawai'i, other states either provide a refund or require no payment.

Tax credits targeted at low-income and working-class households can put dollars back into the pockets of hard-working residents, with far-reaching benefits for their families and the local businesses where they spend their money.

But if HB 885 passes, new tax credits to help working poor families keep more of what they earn would be jeopardized by the bill's harsh rules.

For that reason, we request that you defer HB 885. Mahalo for your consideration of this testimony.

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*The Hawai'i Appleseed Center for Law and Economic Justice is committed to a more socially just Hawai'i, where everyone has genuine opportunities to achieve economic security and fulfill their potential. We change systems that perpetuate inequality and injustice through policy development, advocacy, and coalition building.*