

STAND. COM. REP. NO. 165

Honolulu, Hawaii

FEB 08

, 2023

RE: H.B. No. 561  
H.D. 1

Honorable Scott K. Saiki  
Speaker, House of Representatives  
Thirty-Second State Legislature  
Regular Session of 2023  
State of Hawaii

Sir:

Your Committee on Economic Development, to which was referred H.B. No. 561 entitled:

"A BILL FOR AN ACT RELATING TO TAX CREDITS,"

begs leave to report as follows:

The purpose of this measure is to require any income tax credit established or renewed after December 31, 2023, to include a five-year sunset or, beginning with the sixth year of the tax credit, an annual one-third reduction in the credit.

Your Committee received testimony in opposition to this measure from one individual. Your Committee received comments on this measure from the Tax Foundation of Hawaii.

Your Committee finds that there are several tax credits that have expired in the past two decades. Although the tax credits have expired, the statutes that established those credits allowed taxpayers who claimed but did not use the credits to carry them over to subsequent years until exhausted. These provisions require the State to continue putting funds toward tax credits that are no longer applicable. Your Committee believes that placing a sunset or gradually reducing an established or renewed income tax credit will shift costs away from tax credits that may no longer be beneficial to the State and towards state programs that are of benefit to the general public.

2023-1115 HB561 HD1 HSCR HMSO



Your Committee has amended this measure by changing its effective date to July 1, 3000, to encourage further discussion.

As affirmed by the record of votes of the members of your Committee on Economic Development that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 561, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 561, H.D. 1, and be referred to your Committee on Finance.

Respectfully submitted on  
behalf of the members of the  
Committee on Economic  
Development,



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DANIEL HOLT, Chair



