

STAND. COM. REP. NO. 1668

Honolulu, Hawaii

APR 03 2025

RE: H.B. No. 796  
H.D. 1  
S.D. 1

Honorable Ronald D. Kouchi  
President of the Senate  
Thirty-Third State Legislature  
Regular Session of 2025  
State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred H.B. No. 796, H.D. 1, entitled:

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

begs leave to report as follows:

The purpose and intent of this measure is to encourage efficacy in the State's income taxation system by requiring new income tax credits to include a five-year sunset provision or a gradual reduction over a three-year period.

Your Committee received testimony in support of this measure from two individuals.

Your Committee received testimony in opposition to this measure from the Honolulu Film Office, Democratic Party of Hawaii Education Caucus, Democratic Party of Hawaii Labor Caucus, Hawaii Children's Action Network Speaks!, IATSE Local 665, Island Film Group, Pride at Work - Hawaii, SAG-AFTRA Hawaii Local, and numerous individuals.

Your Committee received comments on this measure from the Department of Business, Economic Development, and Tourism; Department of Taxation; Catholic Charities Hawaii; Tax Foundation of Hawaii; and one individual.



Your Committee finds that the impact of changes to the state tax code are not always apparent at the time that the change is first enacted. Specifically, it is often difficult to precisely predict how effectively a new income tax credit may accomplish its policy goal or what adverse impact the tax credit may have on the State's ability to collect revenue. Accordingly, this measure requires that any income tax credit established or renewed after December 31, 2025, either expire after five years or be reduced by one third each year after the fifth year of the credit.

Your Committee has amended this measure by:

- (1) Clarifying that the measure shall also apply to income tax credits in existence on December 31, 2025;
- (2) Exempting certain income tax credits from the measure; and
- (3) Specifying the taxable years to which the measure applies.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 796, H.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 796, H.D. 1, S.D. 1, and be placed on the calendar for Third Reading.

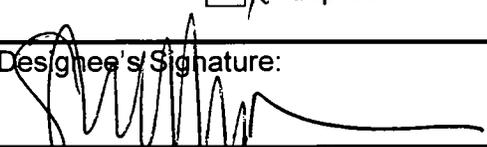
Respectfully submitted on  
behalf of the members of the  
Committee on Ways and Means,

  
DONOVAN M. DELA CRUZ, Chair



The Senate  
Thirty-Third Legislature  
State of Hawai'i

**Record of Votes**  
**Committee on Ways and Means**  
**WAM**

Bill / Resolution No.:* <b>HB796 HD1</b>	Committee Referral: <b>WAM</b>	Date: <b>4/1/2015</b>		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
DELA CRUZ, Donovan M. (C)	X			
MORIWAKI, Sharon Y. (VC)	X			
AQUINO, Henry J.C.	X			
DECOITE, Lynn				X
ELEFANTE, Brandon J.C.	X			
HASHIMOTO, Troy N.	X			
INOUYE, Lorraine R.	X			
KANUHA, Dru Mamo	X			
KIDANI, Michelle N.	X			
KIM, Donna Mercado	X			
LEE, Chris	X			
WAKAI, Glenn				X
FEVELLA, Kurt	X			
<b>TOTAL</b>	<b>11</b>	<b>0</b>	<b>0</b>	<b>2</b>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
<b>Distribution:</b> Original             Yellow             Pink             Goldenrod File with Committee Report             Clerk's Office             Drafting Agency             Committee File Copy				

\*Only one measure per Record of Votes