
HOUSE CONCURRENT RESOLUTION

REQUESTING THE DEPARTMENT OF TAXATION TO CONDUCT A STUDY ON
USING PERFORMANCE AS A BASIS FOR AWARDING TAX CREDITS.

1 WHEREAS, state tax credits are used to stimulate growth in
2 the economy and specific industries or regions of the State; and
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4 WHEREAS, the State has used tax credits extensively to
5 invest in the high technology industry as well as to provide
6 economic opportunities on the Leeward coast of Oahu; and
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8 WHEREAS, tax credits to benefit the high technology
9 industry have been in place for eight years, yet the State still
10 lacks any reasonable measure of the success or failure of such
11 tax credits; and
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13 WHEREAS, a novel approach to providing tax credits is to
14 issue such credits based on performance; and
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16 WHEREAS, the Department of Taxation has achieved great
17 success with its new computer system using performance-based
18 contracts such that computer vendors are paid only if they
19 achieve pre-agreed upon goals and objectives, including
20 increased tax collections to pay for the new computer system;
21 and
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23 WHEREAS, tax credits issued contingent upon performance
24 could mean that recipients of the tax credits are required to
25 achieve pre-agreed upon goals and objectives or lose their tax
26 preference; and
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28 WHEREAS, performance-based tax credits would not only
29 provide an excellent incentive for tax credit recipients to
30 succeed, but would also provide an evaluation of the success or
31 failure of the tax credit; now, therefore,
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1 BE IT RESOLVED by the House of Representatives of the
2 Twenty-fourth Legislature of the State of Hawaii, Regular
3 Session of 2007, the Senate concurring, that the Department of
4 Taxation is requested to conduct a study on using performance as
5 a basis for awarding tax credits; and

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7 BE IT FURTHER RESOLVED that the Department of Taxation is
8 requested to:

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- 10 (1) Combine its direct experience with the performance-
- 11 based contracts implemented for its computer systems
- 12 and other operations, with its expertise and
- 13 accessible data with respect to tax-related issues, to
- 14 determine whether performance-based tax credits could
- 15 achieve similar results;
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- 17 (2) Research other states and municipalities to see if
- 18 these jurisdictions have used performance-based tax
- 19 credits;
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- 21 (3) Report its findings and recommendations to the
- 22 Legislature, including any suggested legislation, no
- 23 later than twenty days prior to the convening of the
- 24 Regular Session of 2008; and
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26 BE IT FURTHER RESOLVED that a certified copy of this
27 Concurrent Resolution be transmitted to Director of Taxation.

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30 OFFERED BY: Ben Ray

MAR 13 2007

