

JAN 23 2015

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# A BILL FOR AN ACT

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RELATING TO GOVERNMENT ACCOUNTABILITY.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1       SECTION 1. The legislature finds that requiring an  
2       evaluation of all tax expenditures by the State would better  
3       enable the legislature to make fiscally-sound and effective  
4       spending decisions. Tax expenditures are essentially derived  
5       from the revenues generated from the tax code and are generally  
6       used to support the government's spending programs. Tax  
7       expenditures are usually less visible than other types of public  
8       spending, which makes it harder to evaluate their effectiveness.  
9       Fiscal accountability necessitates a review of the fairness and  
10      efficiency of all tax exclusions, tax exemptions, tax deferrals,  
11      preferential tax rates, and tax credits. The legislature  
12      believes that an accurate and accountable state budget should  
13      reflect the true costs of tax expenditures and fund only those  
14      government spending programs that make effective and efficient  
15      use of limited tax revenue dollars.



1       The legislature further finds that it is in the best  
2   interest of the State to have an annual report on tax  
3   expenditures prepared that would allow policymakers to better  
4   identify and analyze tax expenditures and to periodically make  
5   criteria-based decisions on whether the tax expenditures should  
6   be continued. The annual report on tax expenditures would allow  
7   the spending of revenues generated from the tax code to be  
8   analyzed and debated in conjunction with the state budget as  
9   well as the internal budgets of state departments and agencies.  
10   The annual report would also provide a mechanism to eliminate  
11   inefficient and inappropriate tax expenditures that would result  
12   in greater accountability and effectiveness of state government  
13   and its spending programs.

14       SECTION 2. Chapter 231, Hawaii Revised Statutes, is  
15   amended by adding two new sections to be appropriately  
16   designated and to read as follows:

17       "§231-       Biennial report on tax expenditures; definition.

18   (a) On or before September 15 in each odd-numbered year, the  
19   department shall submit to the legislature a report on all tax  
20   expenditures currently in effect in the State.



1        (b) As used in this section, "tax expenditure" means a  
2        credit, deduction, exclusion, exemption, or any other tax  
3        benefit provided under state law.

4        (c) The report on tax expenditures shall contain the  
5        following information:

6        (1) A detailed description of each tax expenditure;

7        (2) The statutory authority for each tax expenditure;

8        (3) The purpose and original intent of each tax  
9        expenditure;

10       (4) The actual revenue loss for the most recent fiscal  
11       year for each tax expenditure, or an estimate if the  
12       actual amount cannot be determined; and

13       (5) Whether each tax expenditure has successfully achieved  
14       the intended purpose for which the tax expenditure was  
15       enacted and currently serves, including but not  
16       limited to:

17       (A) The extent to which the tax expenditure is a  
18       successful policy tool;

19       (B) The cost-effectiveness of the tax expenditure;

20       (C) Potential policy alternatives for achieving the  
21       policy goals of the tax expenditure; and



(D) The feasibility of repealing or continuing each  
tax expenditure.

**§231- Tax expenditures; required elements.** Any

legislation that establishes a new tax expenditure, expands an  
existing tax expenditure, or extends the repeal date for an  
existing tax expenditure shall include the following:

- (1) A repeal provision;
- (2) A requirement for an evaluation or study that may also  
include requirements for the submission of information  
by taxpayers benefiting from a tax expenditure;
- (3) Recapture provisions that would apply if a taxpayer  
fails to meet any requirements that are necessary to  
qualify for the new tax benefit; and
- (4) Measurable goals or objectives."

SECTION 3. New statutory material is underscored.

SECTION 4. This Act shall take effect on July 1, 2019.

INTRODUCED BY:

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*Will Ezer*  
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# S.B. NO. 930

**Report Title:**

State Tax Expenditures; Biennial Report; Evaluation

**Description:**

Requires the department of taxation to provide a biennial report on tax expenditures to the legislature on or before September 15th of each odd-numbered year. Requires legislation establishing new tax expenditures to include certain specified provisions. Effective 7/1/2017.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

