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# A BILL FOR AN ACT

RELATING TO TAX EXPENDITURE ACCOUNTABILITY.

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

1 SECTION 1. Chapter 231, Hawaii Revised Statutes, is  
2 amended by adding two new sections to read as follows:

3 "§231-A Tax expenditures. (a) All laws that enact,  
4 modify, or extend the availability of a tax expenditure shall  
5 include the following:

- 6 (1) An explanation of the intent in enacting each tax  
7 expenditure, including the expected economic and  
8 employment benefit to the State;
- 9 (2) An analysis of whether the economic or employment  
10 benefit to the State provided by the tax expenditure,  
11 if any, outweighs its cost;
- 12 (3) A repeal date that makes the tax expenditure available  
13 for no more than thirty-six months;
- 14 (4) A static revenue estimate of the tax expenditure for  
15 each of the fiscal years in the State's financial  
16 plan; and
- 17 (5) For tax expenditures that are modified or extended:





1 the legislative proposal. A "static revenue estimate" may take  
2 into account taxpayers' likely behavioral responses to proposed  
3 changes in tax law. For the purposes of this definition,  
4 "behavioral responses" means:

- 5 (1) Shifts in the timing of transactions and income  
6 recognition;  
7 (2) Shifts between business sectors and entity form;  
8 (3) Shifts in portfolio holdings;  
9 (4) Shifts in consumption; and  
10 (5) Tax planning and avoidance strategies.

11 "Tax expenditure" means any credit, deduction, exclusion,  
12 exemption, or any other tax benefit that provides a preferential  
13 rate of tax or deferral of tax liability, authorized under title  
14 14 for the purpose of incentivizing economic activity. "Tax  
15 expenditure" does not include tax measures enacted as a result  
16 of conformity with the Internal Revenue Code, or any  
17 modifications to tax measures required by the United States or  
18 state constitutions.

19 **§231-B Lawful disclosure of certain tax expenditure**  
20 **information.** (a) Notwithstanding any law to the contrary, for  
21 tax expenditures that encourage certain economic activities, the



1 claimant taxpayer's identity and the amount of tax expenditure  
2 claimed shall be subject to public disclosure under chapter 92F.  
3 The identity of any taxpayer to which a tax expenditure subject  
4 to this section flows through shall not be subject to public  
5 disclosure under chapter 92F.

6 (b) The director shall adopt rules pursuant to chapter 91  
7 as may be necessary to carry out the purposes of this section,  
8 including rules that subject other tax expenditures authorized  
9 under title 14.

10 (c) For the purpose of this section:

11 "Tax expenditure" has the same meaning as defined in  
12 section 231-A.

13 "Tax expenditures that encourage certain industries or  
14 economic activities" include:

15 (1) Exemption from general excise tax for eligible  
16 business activities in an enterprise zone under  
17 section 209E-11;

18 (2) Renewable energy technologies income tax credit under  
19 section 235-12.5(b) (1) (C), (2) (C), and (3) (C);

20 (3) Motion picture, digital media, and film production  
21 income tax credit under section 235-17;



- 1        (4) Fuel tax credit for commercial fishers under section  
2                    235-110.6;
- 3        (5) Ship repair industry tax credit under section  
4                    235-110.65;
- 5        (6) Tax credit for research activities under section  
6                    235-110.91;
- 7        (7) Important agricultural land qualified agricultural  
8                    cost tax credit under section 235-110.93;
- 9        (8) Exemption from general excise tax for certain  
10                   convention, conference, and trade show fees under  
11                   section 237-16.8;
- 12       (9) Exemption from general excise tax for services related  
13                   to ships and aircraft under section 237-24.3(3);
- 14       (10) Exemption from general excise tax for labor  
15                   organizations under section 237-24.3(9);
- 16       (11) Exemption from general excise tax and use tax for  
17                   aircraft leasing under sections 237-24.3(11) and  
18                   238-1(6), respectively;
- 19       (12) Exemption from general excise tax and use tax for  
20                   aircraft service and maintenance facilities under  
21                   sections 237-24.9 and 238-1(8), respectively;



- 1        (13) Exemption from general excise tax for ship building
- 2                    and ship repair under section 237-28.1; and
- 3        (14) Exemption from general excise tax and use tax for
- 4                    affordable housing projects under sections 237-29 and
- 5                    238-3(j), respectively."

6            SECTION 2. In codifying the new sections added by section  
7 1 of this Act, the revisor of statutes shall substitute  
8 appropriate section numbers for the letters used in designating  
9 the new sections in this Act.

10           SECTION 3. New statutory material is underscored.

11           SECTION 4. This Act shall take effect upon its approval.

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# H.B. NO. 2178 H.D. 1

**Report Title:**

Tax Expenditure Accountability; Tax Expenditures; Disclosure

**Description:**

Requires laws that enact, modify, or extend the availability of a tax expenditure to contain specific information, revenue estimates, and analyses before becoming law. Allows the disclosure of certain tax expenditure information. (HD1)

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

