
A BILL FOR AN ACT

RELATING TO TAX EXPENDITURE ACCOUNTABILITY.

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

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

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

(1) An explanation of the intent in enacting each tax expenditure, including the expected economic and employment benefit to the State;

(2) An analysis of whether the economic or employment benefit to the State provided by the tax expenditure, if any, outweighs its cost;

(3) A repeal date that makes the tax expenditure available for no more than thirty-six months;

(4) A static revenue estimate of the tax expenditure for each of the fiscal years in the state financial plan;
and

(5) For tax expenditures that are modified or extended:



1 (A) The total cost of the tax expenditure over the
2 previous three fiscal years;

3 (B) A static revenue estimate for each of the fiscal
4 years in the state financial plan if the tax
5 expenditure were repealed; and

6 (C) An analysis describing the extent to which the
7 tax expenditure is fulfilling its desired
8 purpose, including whether the State has realized
9 the anticipated economic benefit and increase in
10 tax revenue. The analysis shall also include the
11 number of jobs created in the State and whether
12 the cost of the tax expenditure is outweighed by
13 its benefits.

14 (b) The director shall adopt rules pursuant to chapter 91,
15 as may be necessary to carry out the purposes of this section.

16 (c) For the purposes of this section:

17 "State financial plan" means the financial plan required
18 under section 37-69.

19 "Static revenue estimate" means a revenue estimate that
20 assumes that the gross domestic product will remain unchanged by
21 the legislative proposal. A "static revenue estimate" may take



1 into account taxpayers' likely behavioral responses to proposed
2 changes in tax law. For the purposes of this definition,
3 "behavioral responses" means:

4 (1) Shifts in the timing of transactions and income
5 recognition;

6 (2) Shifts between business sectors and entity form;

7 (3) Shifts in portfolio holdings;

8 (4) Shifts in consumption; and

9 (5) Tax planning and avoidance strategies.

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

18 **§231-B Lawful disclosure of certain tax expenditure**
19 **information.** (a) Notwithstanding any law to the contrary, for
20 tax expenditures that encourage certain economic activities, the
21 claimant taxpayer's identity and the amount of tax expenditure



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

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

9 (c) For the purpose of this section:
10 "Tax expenditure" has the same meaning as defined in
11 section 231-A.

12 "Tax expenditures that encourage certain economic
13 activities" include:

- 14 (1) Exemption from general excise tax for eligible
15 business activities in an enterprise zone under
16 section 209E-11;
17 (2) Renewable energy technologies income tax credit under
18 section 235-12.5(b)(1)(C), (2)(C), and (3)(C);
19 (3) Motion picture, digital media, and film production
20 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 on January 1, 2050.



H.B. NO. 2178 H.D. 2

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. Effective 1/1/2050. (HD2)

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