STAND. COM. REP. NO.

Honolulu, Hawaii , 2023

## FEB 08 ' 2

RE: H.B. No. 561 H.D. 1

Honorable Scott K. Saiki Speaker, House of Representatives Thirty-Second State Legislature Regular Session of 2023 State of Hawaii

Sir:

Your Committee on Economic Development, to which was referred H.B. No. 561 entitled:

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

begs leave to report as follows:

The purpose of this measure is to require any income tax credit established or renewed after December 31, 2023, to include a five-year sunset or, beginning with the sixth year of the tax credit, an annual one-third reduction in the credit.

Your Committee received testimony in opposition to this measure from one individual. Your Committee received comments on this measure from the Tax Foundation of Hawaii.

Your Committee finds that there are several tax credits that have expired in the past two decades. Although the tax credits have expired, the statutes that established those credits allowed taxpayers who claimed but did not use the credits to carry them over to subsequent years until exhausted. These provisions require the State to continue putting funds toward tax credits that are no longer applicable. Your Committee believes that placing a sunset or gradually reducing an established or renewed income tax credit will shift costs away from tax credits that may no longer be beneficial to the State and towards state programs that are of benefit to the general public.

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Your Committee has amended this measure by changing its effective date to July 1, 3000, to encourage further discussion.

As affirmed by the record of votes of the members of your Committee on Economic Development that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 561, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 561, H.D. 1, and be referred to your Committee on Finance.

> Respectfully submitted on behalf of the members of the Committee on Economic Development,

DANIEL HOLT, Chair



## State of Hawaii House of Representatives The Thirty-second Legislature

HSCR 165

## **Record of Votes of the Committee on Economic Development**

Bill/Resolution No.: HB561	Committee Referral: ECD, FIN		Date: 02/01/2023		
The committee is reconsidering its previous decision on the measure.					
The recommendation is to:					
ECD Mem	bers	Ayes	Ayes (WR)	Nays	Excused
1. HOLT, Daniel (C)					
2. LAMOSAO, Rachele F	. (VC)				
3. HUSSEY-BURDICK,	Natalia	/			
4. KONG, Sam Satoru					
5. NAKAMURA, Nadine	K.				
6. QUINLAN, Sean		(			
7. PIERICK, Elijah					
TOTAL (	7)	5	1	1	
The recommendation is: Image: Adopted in the commendation is: Image: Adopted in the commendation is:   If joint referral,					
Vice Chair's or designee's signature: Reach the formation and the signature: Reach the formation and the signature is a signature in the signature is a signature is a signature in the signature in the signature is a signature in the sin the signature in the s					
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