

STAND. COM. REP. NO.

2307

Honolulu, Hawaii

FEB 17 2026

RE: S.B. No. 3278  
S.D. 1

Honorable Ronald D. Kouchi  
President of the Senate  
Thirty-Third State Legislature  
Regular Session of 2026  
State of Hawaii

Sir:

Your Committee on Economic Development and Tourism, to which was referred S.B. No. 3278 entitled:

"A BILL FOR AN ACT RELATING TO TAX EXPENDITURE EVALUATION,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Require tax expenditure disclosure to, and evaluation by, the Department of Business, Economic Development, and Tourism for certain income tax credits and general excise and use tax exemptions and submit an annual report to the Legislature; and
- (2) Require the Department of Taxation to share certain information with the Department of Business, Economic Development, and Tourism upon request.

Your Committee received comments on this measure from the Department of Business, Economic Development, and Tourism; Department of Taxation; and Tax Foundation of Hawaii.

Your Committee finds that regular evaluations of tax expenditures are integral to sound and equitable budgetary decisions that maximize benefits to taxpayers. Tax credits and exemptions also require systematic evaluation because they effectively operate as a form of public spending through



reductions in tax revenue. Periodic reviews of tax credits and exemptions offer policymakers opportunities to evaluate measurable outcomes of these programs, thereby facilitating more effective decision making. This measure improves transparency and supports data-driven, fiscally responsible economic policy.

Your Committee acknowledges the concerns raised in testimony by the Department of Taxation that certain disclosure requirements of this measure may not align with federal law and protections of taxpayer confidentiality. Therefore, amendments to this measure are necessary to address this matter.

Accordingly, your Committee has amended this measure by:

- (1) Authorizing the Department of Business, Economic Development, and Tourism to request the Department of Taxation to provide any tax records and other information maintained by the Department of Taxation that is material and directly relevant to preparation of the annual report required in this measure;
- (2) Clarifying that the tax records and other information to be provided by the Department of Taxation to the Department of Business, Economic Development, and Tourism shall be material and directly relevant to preparation of the required annual report;
- (3) Clarifying that the Department of Taxation shall not provide to the Department of Business, Economic Development, and Tourism any tax records or information prohibited from disclosure under federal law;
- (4) Requiring the Department of Business, Economic Development, and Tourism to keep confidential any information provided and marked confidential by the Department of Taxation; and
- (5) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Economic Development and Tourism that is attached to this report, your Committee is in accord with the intent and



purpose of S.B. No. 3278, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 3278, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on  
behalf of the members of the  
Committee on Economic  
Development and Tourism,

  
LYNN DECOITE, Chair



