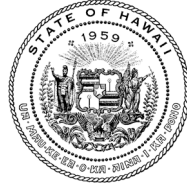


JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION

Ka 'Oihana 'Auhau

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GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

**TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No. 2429, H.D.2, Relating to Tax Expenditure Evaluation

BEFORE THE:

Senate Committee on Economic Development and Tourism

DATE: Monday, March 24, 2026

TIME: 1:04 p.m.

LOCATION: State Capitol, Room 229

Chair DeCoite, Vice-Chair Wakai, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding H.B. 2429, H.D.2, for your consideration.

Section 2 of H.B. 2429, H.D.2, adds a new section to chapter 201, Hawaii Revised Statutes (HRS), requiring the Department of Business, Economic Development, and Tourism (DBEDT), in collaboration with DOTAX, to study the effectiveness of tax expenditures for certain income tax credits and general excise tax and use tax exemptions, and submit a report to the Legislature by September 1 of each year.

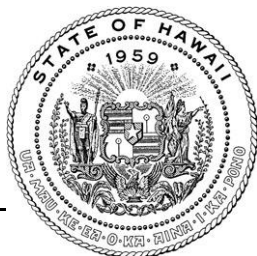
Section 3 of the bill adds a new section to chapter 235, HRS, requiring taxpayers, as a condition to claiming an income tax credit, to file a statement with DBEDT, on or before the date the credit is claimed on the taxpayer's return, that includes: (1) the taxpayer's name; (2) the name of the credit; (3) the amount of the credit claimed; and (4) the total cost of the tax credit to the State for the taxable year. The statement filed with DBEDT will be available for public dissemination and review, subject to chapter 92F. The required filing of a statement does not apply to credit claims under section 235-15, HRS, and part III of chapter 235, HRS.

Section 4 and 5 of H.B. 2429, H.D.2, add similar reporting requirements as a condition to claiming a general excise tax (GET) or use tax exemption. Taxpayers claiming an exemption are required to file a statement with DBEDT, on or before the twentieth day of the fourth month following the close of the taxable year, that includes: (1) the taxpayer's name; (2) the taxpayer's GET number; (3) the name of the exemption; (4) the amount of the exemption claimed; and (4) the total cost of the exemption to the State for the taxable year. The statement filed by the taxpayer will be available for public dissemination and review, subject to chapter 92F.

This measure has a defective effective date of July 1, 3000, and applies to taxable years beginning after December 31, 2026.

DOTAX can administer this bill for taxable years beginning after December 31, 2026, as currently provided in the bill.

Thank you for the opportunity to provide comments on this measure.



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**
KA 'OIHANA HO'OMOHALA PĀ'OIHANA, 'IMI WAIWAI
A HO'OMĀKA'IKĀ'I

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
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Statement of
GEORJA SKINNER
Administrator, Creative Industries Division
Department of Business, Economic Development, and Tourism
before the
SENATE COMMITTEE ON ECONOMIC DEVELOPMENT AND TOURISM

Tuesday, March 24, 2026
1:04 PM
State Capitol, Conference Room 229

In consideration of
HB2429 HD2
RELATING TO TAX EXPENDITURE EVALUATION

Chair DeCoite, Vice Chair Wakai, and members of the Committee. The Creative Industries Division (CID) in the Department of Business, Economic Development, and Tourism (DBEDT) offers comments on HB2429 HD2, which seeks to improve transparency and data-driven evaluation of tax expenditures.

CID currently oversees the Tax Credit Unit (TCU) in the division primarily focused on the Film and Research and Technology credits, Chapters 235-17 and 235-110.9 respectively. We understand the intent of this measure and support collection and analysis of data to assess the effectiveness of tax expenditures. We acknowledge the bill's requirement for DBEDT, in collaboration with the Department of Taxation, to prepare summary descriptive statistics and report this information to the Legislature.

CID and the department respectfully request clarification regarding provisions requiring information collected or shared under this measure to be available for public inspection and dissemination. While we support transparency, we are mindful of the

need to ensure consistency with taxpayer confidentiality and privacy protections, including chapter 92F, Hawai'i Revised Statutes.

In addition, there is potential for unintended impacts of the required changes proposed in HRS Sections 235, 237 and 238 which may be interpreted as a disincentive due to the waiver of credit language in Section 3, 4 and 5 which states:

(b) The statement shall be filed on or before the date the credit is claimed on the taxpayer's income tax return.

Failure to timely file the statement shall constitute a waiver of the right to claim the credit.

To ensure transparency as well as to avoid potential impacts, including conflicts with existing confidentiality laws, CID/DBEDT defers to the Department of Taxation on these areas and notes the comments in prior testimony by Tax Foundation of Hawai'i raising similar concerns. We believe additional discussion to achieve the intent of HB2429 HD2 to provide the necessary statutory clarity for both departments on data aggregation and anonymization standards.

Thank you for the opportunity to provide testimony on this measure.

TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, GENERAL EXCISE, USE, Tax Expenditure Disclosure and Evaluation

BILL NUMBER: HB 2429 HD2

INTRODUCED BY: FIN

EXECUTIVE SUMMARY: Requires tax expenditure disclosure statements to, and evaluation by, the Department of Business, Economic Development, and Tourism for certain income tax credits and general excise and use tax exemptions. Applies to tax years beginning after 12/31/2026. Effective 7/1/3000. (HD2)

SYNOPSIS: Adds a new section to chapter 201, HRS, to have DBEDT collaborate with the department of taxation and use the information reported in statements filed pursuant to herein amended sections 235, 237 and 238 to study the effectiveness of the tax expenditures and to prepare summary descriptive statistics. The department shall report the information required under this subsection to the legislature by September 1 of each year.

Amends section 235, HRS, to require as a condition to claim an income tax credit to file a statement with DBEDT that provides the taxpayer's name, name of tax credit claimed, amount of credit claimed and total cost to the State for the taxable year.

The statement shall be filed on or before the date the credit is claimed on the taxpayer's income tax return. Failure to timely file shall constitute a waiver of the right to claim the credit.

This requirement shall not apply to child passenger restraint system tax credits under section 235-15 or credits in Chapter 235, Part III Individual Income Tax (out of state tax credit in 235-55, credit for household and dependent care services necessary for gainful employment in 235-55.6, credit for low-income household renters in 235-55.7, earned income tax credit in 235-55.75, food/excise tax credit in 235-55.8, and credit for employment of vocational rehabilitation referrals in 235-55.91).

Amends section 237, HRS, to require as a condition to claim an exemption to file a statement with DBEDT that provides the taxpayer's name, GET license number, name of exemption being claimed, amount of the exemption claimed, and total cost of the exemption to the State for the taxable year.

The statement shall be filed on or before the twentieth day of the fourth month following the close of the taxable year. Failure to timely file shall constitute waiver of the right to the exemption.

Amends section 238, HRS, to provide requirements similar to section 237 as a condition to claim use tax exemptions.

Statements filed by the taxpayer under this measure shall be available for public inspection and dissemination, subject to chapter 92F.

EFFECTIVE DATE: July 1, 3000, for taxable years beginning after December 31, 2026.

STAFF COMMENTS: We have concerns over whether this bill, if enacted, would be effective and could be duplicating information currently being statutorily required by the Department of Taxation in Chapter 235 as conditions for tax credit qualifications.

We note that the State Auditor is required to review existing income tax credits under HRS sections 23-91 to 23-96 on a five-year rolling basis, and the reports issued by the Auditor are supposed to trigger legislative review. Additionally, the State Auditor is required to review existing general excise and use tax exemptions, exclusions, and credits under HRS sections 23-71 to 23-81 on a ten-year rolling basis and reports issued by the Auditor could also trigger legislative review.

New credits are supposed to be added to the list in those sections of chapter 23, but none of these sections were amended after 2017.

We have concerns.

First, what are the “total costs to the state” to be reported? If this means the “amount” of the tax credit or exemption, the amount is supposed to be reported on income and GET tax returns already. If it means something else, that something else should be specified.

Second, the bill requires taxpayers who claim an income tax credit or a general excise or use tax exemption to file one return with DOTAX (which is confidential) and another return with DBEDT (which is public). Thus, many taxpayers would have to give up their right to file a confidential tax return to claim credits or exemptions.

Third, there are credits and exemptions that are either structurally required to prevent constitutional issues and to keep the GET as a business privilege tax. Information on those exemptions is not required now, and application of this bill could lead to absurd results. For example: An employee is paid \$50,000. There is a general excise exemption for wages, HRS section 237-24(6). Under the bill as it is now drafted, the employee must file a publicly available statement with DBEDT declaring his or her wages, and upon failure to do so must be assessed GET on the \$50,000.

A much easier way to get DBEDT the information it needs to do this study, without causing grief to innumerable constituents, is to amend the tax return confidentiality statutes, HRS sections 235-116 (net income tax) and 237-34 (general excise tax) to allow DBEDT to access this information. (The Use Tax Law, HRS chapter 238, incorporates the GET confidentiality provision through section 238-13.) Opening this information pipeline would not be odd, given that federal tax return information now can be disclosed for statistical use to the Department of Commerce, Federal Trade Commission, Department of Treasury, Department of Agriculture, or Congressional Budget Office under IRC section 6103(j).

Digested: 3/21/2026

HB-2429-HD-2

Submitted on: 3/21/2026 12:13:31 PM

Testimony for EDT on 3/24/2026 1:04:00 PM

Submitted By	Organization	Testifier Position	Testify
Johnnie-Mae L. Perry	Individual	Comments	Written Testimony Only

Comments:

I, Johnnie-Mae L. Perry, Comment

IRAN WAR IS COSTING TAXPAYERS 1BILLION \$ A DAY. HOW WILL FEDERAL FUNDING IMPACT THE SOH BUDGET?

2429 HB RELATING TO TAX EXPENDITURE EVALUATION.

Hawaii State Senate
Committee on Economic Development and Tourism
Senator Lynn DeCoite, Chair
Senator Glenn Wakai, Vice Chair

HB 2429 HD 2

Testimony of Isaac W. Choy, CPA
IN SUPPORT
and suggesting revised provisions

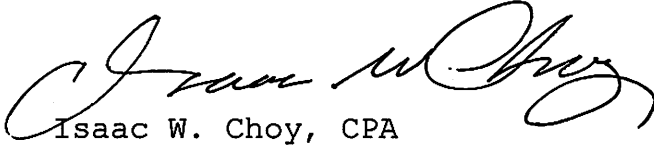
Hearing date Tuesday, March 24, 2026, 1:04 PM

Dear Chairman DeCoite and Committee Members,

The purpose of this bill is to gather information to do a thorough evaluation of tax expenditures to benefit the people of Hawaii and the beneficiaries of the tax expenditure on a continuous basis. I support this bill because it has the potential to increase transparency for all parties affected by tax expenditures. By promoting a clearer understanding of how the state allocates its resources and the advantages that result from these expenditures, this legislation can help taxpayers, policymakers, and other stakeholders gain valuable insight into state spending and its overall impact.

The revised provisions are offered to better reflect the intent of this proposed legislation by ensuring a meaningful analysis of tax expenditures. I have taken the liberty of attaching a proposed draft for your consideration.

Thank you for allowing me to comment on this very important
proposed legislation.

A handwritten signature in black ink, appearing to read "Isaac W. Choy". The signature is fluid and cursive, with the first letter of each word being significantly larger and more stylized than the others. It is positioned above the printed name.

Isaac W. Choy, CPA

A BILL FOR AN ACT

RELATING TO TAX EXPENDITURE EVALUATION.

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

1 SECTION 1. The legislature finds that certain tax
2 expenditures should be evaluated annually to determine whether
3 they are efficiently fulfilling their intended purpose.

4 Once enacted, these provisions often remain in place for
5 years with limited reassessment. Periodic review and evaluation
6 of tax expenditures is essential to ensure they remain
7 effective, fair, and aligned with evolving public priorities.
8 Regular evaluation strengthens accountability, supports sound
9 budget decisions, ensures equitable competition, and ultimately
10 maximizes benefits for taxpayers.

11 The legislature further finds that income tax credits and
12 general excise and use tax exemptions represent a form of public
13 spending, even though they appear as reduced revenue rather than
14 direct expenditures. Without systematic evaluation,
15 policymakers and the public may lack clear insight, or even hard
16 data, that can show how public resources are being used and
17 whether anticipated outcomes are being achieved.

1 Especially in this uncertain economic climate, there is
2 constant pressure to allocate limited resources among competing
3 needs, such as education, health care, infrastructure, and
4 public safety. Tax expenditures that were justified under past
5 economic or social conditions may no longer reflect current
6 priorities. Reviewing these provisions allows lawmakers to
7 determine whether funds tied up in tax incentives could be
8 better directed elsewhere or whether successful programs merit
9 continued or expanded support. Periodic evaluation helps to
10 align tax incentives with current budget priorities.

11 The legislature believes that effective tax policy should
12 be guided by data, rather than assumptions. Periodic reviews
13 allow for the measurement of outcomes, such as job creation,
14 economic growth, investment levels, or targeted social benefits,
15 relative to the cost of the incentive. When returns are clearly
16 defined and measured, policymakers can distinguish between
17 programs that deliver strong value and those that fall short.

18 The legislature recognizes that regular review can
19 determine if initial objectives have been achieved. Some tax
20 expenditures are enacted with specific goals, such as
21 encouraging renewable energy development, revitalizing

1 distressed communities, or supporting research and development.
2 Over time, circumstances may change or goals may be met.
3 Periodic review can provide the data that can point to whether a
4 credit or exemption should be continued, modified, phased out,
5 or replaced with a more effective approach. A tax expenditure
6 that made sense decades ago may no longer be relevant or
7 efficient today. Periodic evaluation makes sense to ensure that
8 tax policy adapts to changing realities and that necessary
9 adjustments are made to maintain effectiveness and fairness.

10 Most importantly, regular review provides better data for
11 long-term oversight. Collecting and analyzing consistent
12 information on tax expenditures improves legislative oversight
13 and policy design. High-quality data enables evidence-based
14 decision-making, reduces reliance on anecdotal claims, and
15 strengthens the overall integrity of the tax system.

16 The legislature also recognizes that one possible benefit
17 of regular review is ensuring equitable competition among key
18 industry sectors. Long-standing tax expenditures can
19 unintentionally favor certain industries or firms, creating
20 market distortions and competitive imbalances. Periodic review
21 helps determine whether incentives continue to serve a

1 legitimate public purpose or whether they provide unfair
2 advantages that hinder innovation and competition. A level
3 playing field encourages efficiency and economic resilience
4 across sectors.

5 Additionally, from the taxpayer's perspective, periodic
6 evaluation helps identify tangible benefits. Taxpayers deserve
7 assurance that foregone revenue translates into public value,
8 such as economic opportunity, improved services, or long-term
9 fiscal stability.

10 The legislature notes that the periodic review and
11 evaluation of tax expenditures is not merely a best practice,
12 but a necessity for responsible fiscal management. By promoting
13 accountability, aligning incentives with budget priorities,
14 measuring returns, ensuring fair competition, and adapting to
15 change, government can ensure that tax policies serve their
16 intended purpose and deliver meaningful value to taxpayers.
17 Regular evaluation strengthens public trust and helps build a
18 more effective, equitable, and sustainable tax system. Periodic
19 evaluations can clarify whether tax incentives truly benefit the
20 broader public or primarily serve narrow interests.

1 Accordingly, the purpose of this Act is to facilitate tax
2 reviews and the State's evaluation of tax policies by requiring
3 certain taxpayers to make disclosures in return for their income
4 tax credits or general excise and use tax exemptions.

5 SECTION 2. Chapter 201, Hawaii Revised Statutes, is
6 amended by adding a new section to part I to be appropriately
7 designated and to read as follows:

8 "§201- Evaluation of tax expenditures. (a) The
9 department, in collaboration with the department of taxation,
10 shall use the information reported in the statements filed
11 pursuant to sections 235- , 237- , and 238- to study the
12 effectiveness of the tax expenditures and to prepare summary
13 descriptive statistics. The department shall submit a report on
14 the information required under this section to the legislature
15 by September 1 of each year.

16 (b) The department, in collaboration with the department
17 of taxation shall develop the appropriate schedules and tax
18 return forms to collect adequate information for the evaluation
19 of tax expenditures filed with the department pursuant to
20 sections 235- , 237- , and 238- .

1 (c) Notwithstanding any other law to the contrary, as a
 2 condition to claiming a tax expenditure described in this
 3 section, the department of taxation may require taxpayers to
 4 authorize the disclosure of additional tax expenditure
 5 information requested by the department for the purpose of
 6 evaluating the effectiveness of tax expenditure filed with the
 7 department pursuant to sections 235- , 237- , and 238- ;
 8 provided that the department of taxation shall not require the
 9 disclose of any tax records or information prohibited from
 10 disclosure under federal law."

11 SECTION 3. Chapter 235, Hawaii Revised Statutes, is
 12 amended by adding a new section to be appropriately designated
 13 and to read as follows:

14 "§235- **Statement as condition to claiming income tax**
 15 credits. (a) As a condition to claiming an income tax credit
 16 under this chapter, a taxpayer shall file with the department a
 17 form prescribed by the director, which shall include, but not be
 18 limited to, the following information:
 19 (1) The taxpayer's name;
 20 (2) The name of the tax credit being claimed;

1 (3) The amount of the tax credit being claimed for the
2 taxable year;

3 (4) The total cost of the tax credit to the State for the
4 taxable year;

5 (5) The type of claimant;

6 (6) The location of use of the tax credit;

7 (7) The annual revenue impact of the tax credit;

8 (8) The number of jobs created by the tax credit;

9 (9) The amount of any additional capital investments
10 created by the use of the tax credit; and

11 (10) Any additional information regarding the tax credit
12 requested by the director.

13 (b) The form shall be filed on or before the date the
14 credit is claimed on the taxpayer's income tax return. Failure
15 to timely file the form shall constitute a waiver of the right
16 to claim the credit.

17 (c) Notwithstanding any other law to the contrary, the
18 form filed by the taxpayer shall be available for public
19 inspection and dissemination, subject to chapter 92F.

20 (d) This section shall not apply to a credit claimed under
21 section 235-15 or under part III of this chapter."

1 SECTION 4. Chapter 237, Hawaii Revised Statutes, is
2 amended by adding a new section to be appropriately designated
3 and to read as follows:

4 "§237- Statement as condition to claiming exemption.

5 (a) As a condition to claiming a tax exemption under this
6 chapter, a taxpayer shall file with the department a form
7 prescribed by the director which shall include, but not limited
8 to, the following information:

- 9 (1) The taxpayer's name;
10 (2) The taxpayer's general excise tax license number;
11 (3) The name of the tax exemption being claimed;
12 (4) The amount of the tax exemption claimed for the
13 taxable year;
14 (5) The total cost of the tax exemption to the State for
15 the taxable year; and
16 (6) Any additional information regarding the tax exemption
17 requested by the director.
- 18 (b) The form shall be filed on or before the twentieth day
19 of the fourth month following the close of the taxable year.
20 Failure to timely file the form shall constitute a waiver of the
21 right to claim the exemption.

1 (c) Notwithstanding any other law to the contrary, the
2 form filed by the taxpayer shall be available for public
3 inspection and dissemination, subject to chapter 92F."

4 SECTION 5. Chapter 238, Hawaii Revised Statutes, is
5 amended by adding a new section to be appropriately designated
6 and to read as follows:

7 "§238- Statement as condition to claiming exemption.

8 (a) As a condition to claiming a tax exemption under this
9 chapter, a taxpayer shall file with the department a form
10 prescribed by the director which shall include, but not limited
11 to, the following information:

- 12 (1) The taxpayer's name;
- 13 (2) The taxpayer's general excise tax license number;
- 14 (3) The name of the tax exemption being claimed;
- 15 (4) The amount of the tax exemption claimed for the
16 taxable year;
- 17 (5) The total cost of the tax exemption to the State for
18 the taxable year; and
- 19 (6) Any additional information regarding the tax exemption
20 requested by the director.

1 (b) The form shall be filed on or before the twentieth day
 2 of the fourth month following the close of the taxable year.
 3 Failure to timely file the form shall constitute a waiver of the
 4 right to claim the exemption.

5 (c) Notwithstanding any other law to the contrary, the
 6 form filed by the taxpayer shall be available for public
 7 inspection and dissemination, subject to chapter 92F."

8 SECTION 6. New statutory material is underscored.

9 SECTION 7. This Act shall take effect on July 1, 3000, and
 10 shall apply to taxable years beginning after December 31, 2026.

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Report Title:

DBEDT; DOTAX; Taxation; Tax Expenditure Disclosure and Evaluation; Income Tax Credits; General Excise and Related Use Tax Exemptions

Description:

Requires tax expenditure disclosure forms to, and evaluation by, the Department of Business, Economic Development, and Tourism for certain income tax credits and general excise and use tax exemptions. Applies to tax years beginning after 12/31/2026. Effective 7/1/3000. (HD2)

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