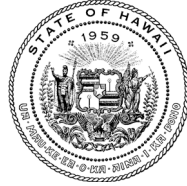


JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



GARY S. SUGANUMA
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DEPUTY DIRECTOR

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DEPARTMENT OF TAXATION

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

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No. 2429, H.D.2, S.D.1, Relating to Tax Expenditure Evaluation

BEFORE THE:

Senate Committee on Ways and Means

DATE: Wednesday, April 8, 2026

TIME: 10:02 a.m.

LOCATION: State Capitol, Room 211

Chair Dela Cruz, Vice-Chair Moriwaki, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding H.B. 2429, H.D.2, S.D.1, for your consideration.

Section 2 of H.B. 2429, H.D.2, S.D.1, 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. Section 2 also requires that DBEDT collaborate with DOTAX to develop tax forms to collect information for the study and further requires that DOTAX share the completed and filed tax forms with DBEDT. Additionally, section 2 provides that DOTAX may, as a condition to claiming a tax credit or exemption, require taxpayers to provide it authority to disclose additional tax expenditure information to DBEDT for the purpose of completing the study, with the exception of tax records or information protected from disclosure by federal law.

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 form prescribed by the Director of Taxation, 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 tax credit; (3) the amount of the

credit claimed; (4) the total cost of the credit to the State for the taxable year; (5) the type of claimant; (6) the location of use of the credit; (7) the annual revenue impact for the credit; (8) the number of jobs created by the credit; (9) the amount of any additional capital investments created by use of the credit; and (10) any additional information requested by the Director of Taxation regarding the credit. The form is not required for credit claims under section 235-15, HRS, and part III of chapter 235, HRS.

Sections 4 and 5 of H.B. 2429, H.D.2, S.D.1, 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 form with DOTAX, 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; (5) the total cost of the exemption to the State for the taxable year; and (6) any additional information requested by the Director of Taxation regarding the exemption.

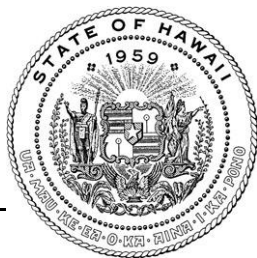
Notwithstanding any other law to the contrary, the forms filed by taxpayers will be available for public inspection and dissemination and subject to chapter 92F. If a taxpayer does not timely file the form, the taxpayer waives their right to claim the credit or exemption.

This measure has a defective effective date of July 1, 3050, and applies to taxable years beginning after December 31, 2026.

First, DOTAX notes that it publishes annual reports that provide information on income tax credits (Tax Credits Claimed by Hawai'i Taxpayers) and general excise tax exemptions (Hawai'i General Excise & Use Tax Exemptions). DOTAX can assist DBEDT with the study required by this bill by providing tax data, similar to what is included in these annual reports. DOTAX defers to DBEDT on its ability to perform a study on the effectiveness of the credits and exemptions based on non-tax data collected in the disclosure forms, including data on job creation and capital investment.

Second, DOTAX has concerns regarding the provisions that would allow the disclosure and dissemination of confidential tax return information. DOTAX notes that taxpayer confidentiality is crucial for encouraging voluntary compliance and accurate reporting. Making the tax form information publicly available may discourage taxpayers from complete and accurate reporting, which may lead to increased incidences of noncompliance and require increased enforcement efforts, which may negatively affect revenue collection. Accordingly, DOTAX recommends that the provisions that make the tax forms available for public inspection and dissemination be deleted.

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'IKAI

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Statement of
GEORJA SKINNER
Administrator, Creative Industries Division
Department of Business, Economic Development, and Tourism
before the
SENATE COMMITTEE ON WAYS AND MEANS

Wednesday, April 8, 2026
10:02 AM
State Capitol, Conference Room 211

In consideration of
HB2429 HD2 SD1
RELATING TO TAX EXPENDITURE EVALUATION

Chair Dela Cruz, Vice Chair Moriwaki, 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 SD1, 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.

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. 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 form shall be filed on or before the date the credit is claimed on the taxpayer's income tax return. **Failure to timely file the form 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 SD1 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 SD1

INTRODUCED BY: EDT

EXECUTIVE SUMMARY: Requires the filing of tax expenditure disclosure forms to the Department of Taxation to be used by the Department of Business, Economic Development, and Tourism for evaluation as a condition for claiming certain income tax credits and general excise and use tax exemptions. Applies to tax years beginning after 12/31/2026. Effective 7/1/3050. (SD1)

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 form with DBEDT that provides:

- (1) The taxpayer's name;
- (2) The name of the tax credit being claimed;
- (3) The amount of tax credit being claimed for the taxable year;
- (4) The total cost of the tax credit to the State for the taxable year;
- (5) The type of claimant;
- (6) The location of use of the tax credit;
- (7) The annual revenue impact of the tax credit;
- (8) The number of jobs created by the tax credit;
- (9) The amount of any additional capital investments created by the use of the tax credit; and
- (10) Any additional information regarding the tax credit requested by the director of taxation.

The form 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 form with DBEDT that provides

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

The form 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.

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

EFFECTIVE DATE: July 1, 3050, for taxable years beginning after December 31, 2026.

STAFF COMMENTS: We wonder 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 qualification.

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 several concerns about the bill as currently worded nonetheless.

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 or 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 the exact amount of 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).

To that end, we suggest that the operative language of the bill be replaced with the following:

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

"§201- Evaluation of tax expenditures. (a) The department, in collaboration with the department of taxation, shall study the effectiveness of tax expenditures and prepare summary descriptive statistics. The department shall submit a report on the information required under this section to the legislature by September 1 of each year.

(b) The department, in collaboration with the department of taxation, shall develop the appropriate schedules and tax return forms to collect adequate information for the evaluation of tax expenditures."

SECTION 2. Section 235-116, Hawaii Revised Statutes, is amended to read as follows:

"§235-116 Disclosure of returns unlawful; penalty. All tax returns and return information required to be filed under this chapter shall be confidential, including any copy of any portion of a federal return that may be attached to a state tax return, or any information reflected in the copy

of the federal return. It shall be unlawful for any person, or any officer or employee of the State, including the auditor or the auditor's agent with regard to tax return information obtained pursuant to section 23-5(a), to make known intentionally information imparted by any income tax return or estimate made under sections 235-92, 235-94, 235-95, and 235-97 or wilfully to permit any income tax return or estimate so made or copy thereof to be seen or examined by any person other than the taxpayer or the taxpayer's authorized agent, persons duly authorized by the State in connection with their official duties~~[7]~~ including staff of the department of business, economic development, and tourism conducting the evaluation of tax expenditures in section 201- , the Multistate Tax Commission or the authorized representative thereof, except as otherwise provided by law. Any offense against the foregoing provisions shall be punishable as a class C felony.

SECTION 3. Section 237-34, Hawaii Revised Statutes, is amended by amending subsection (b) to read as follows:

"(b) All tax returns and return information required to be filed under this chapter, and the report of any investigation of the return or of the subject matter of the return, shall be confidential. It shall be unlawful for any person or any officer or employee of the State, including the auditor or the auditor's agent with regard to tax return information obtained pursuant to section 23-5(a), to intentionally make known information imparted by any tax return or return information filed pursuant to this chapter, or any report of any investigation of the return or of the subject matter of the return, or to wilfully permit any return, return information, or report so made, or any copy thereof, to be seen or examined by any person; provided that for tax purposes only, the taxpayer, the taxpayer's authorized agent, or persons with a material interest in the return, return information, or report may examine them. Unless

otherwise provided by law, persons with a material interest in the return, return information, or report shall include:

- (1) Trustees;
- (2) Partners;
- (3) Persons named in a board resolution or a one per cent shareholder in the case of a corporate return;
- (4) The person authorized to act for a corporation in dissolution;
- (5) The shareholder of an S corporation;
- (6) The personal representative, trustee, heir, or beneficiary of an estate or trust in the case of the estate's or decedent's return;
- (7) The committee, trustee, or guardian of any person in paragraphs (1) through (6) who is incompetent;
- (8) The trustee in bankruptcy or receiver, and the attorney-in-fact of any person in paragraphs (1) through (7);
- (9) Persons duly authorized by the State in connection with their official duties~~[+]~~, including staff of the department of business, economic development, and tourism conducting the evaluation of tax expenditures in section 201- ;
- (10) Any duly accredited tax official of the United States or of any state or territory;
- (11) The Multistate Tax Commission or its authorized representative;
- (12) Members of a limited liability company; and
- (13) A person contractually obligated to pay the taxes assessed against another when the latter person is under audit by the department.

Any violation of this subsection shall be a class C felony."

We also offer our weekly commentary published on March 30, 2026:

Where's Your Second Tax Return?

by [Tom Yamachika](#) | posted in: [Weekly Commentary](#) | 0

Tax season is here. Most of us dread the prospect of filling out and filing our tax returns. We have to bare our souls to the government every year at about this time, telling them intimate details of what we made and what we lost — but at least that information is kept private so your nosy neighbor down the street can't see it or use it to set up spam marketing lists.

One bill still moving in the Legislature, [House Bill 2429 House Draft 2](#), would change all of that.

That bill has what seems to be a noble purpose of collecting good and accurate data to evaluate the dozens of income tax credits and general excise tax exemptions that we now have. "Regular evaluation strengthens accountability, supports sound budget decisions, ensures equitable competition, and ultimately maximizes benefits for taxpayers," the bill preamble reads. So far, so good.

To gather this data, the bill says that people who are claiming credits and exemptions hereafter need to file an information statement with DBEDT. That statement would contain the taxpayer's name, GE license number if it is a GET exemption, the name of the credit or exemption being claimed, the amount of credit or exemption being claimed, and the total cost to the State for the taxable year. This statement would be filed on or before the date on which the taxpayer's annual return is filed, and filing the statement would be a condition of claiming the credit or exemption, meaning that if you don't file this statement in addition to your tax return, the credit or exemption that you are trying to claim will be disallowed.

And, by the way, the statement filed with DBEDT is not confidential. It is open to public inspection.

Whoa.

So, according to this bill, it isn't enough to file just one tax return any more. You need to file two of them. And one of them will be open to the public.

This bill is going to affect lots more people than, perhaps, its proponents intended. Suppose you are an employee making \$50,000. You might not know this, but you are taking advantage of a GET exemption (HRS section 237-24(6)) for salaries and wages. That's why you don't have to file a GET return. So, under this bill you need to file a public statement declaring your salary, and if you don't your \$50,000 becomes subject to GET. \$2,250 please. Plus penalties and interest, of course.

Never mind that the State Auditor is already tasked with evaluating these same credits and exemptions on a rolling basis.

And what's the theory behind requiring a taxpayer to disclose not only the credit or exemption amount but also the cost to the State? Isn't that easy enough to calculate just from the credit or exemption amount (credit amount = cost to the State, exemption amount x tax rate = cost to the State)?

It seems that the information the State needs to analyze the revenue impact of credits and exemptions is already filed with the tax returns. Why, then, don't we simply open the information pipeline from DOTAX to DBEDT to allow them to pull statistics to do their data analyses? This is what the Feds

Re: HB 2429 SD1
Page 7

do. Internal Revenue Code 6103(j) says that certain agencies such as the Department of Commerce may access statistical tax return information to do their analyses and studies.

Somebody needs to rewrite this bill or put it out of its misery.

Digested: 4/6/2026

Hawaii State Senate
Committee on Ways and Means
Senator Donovan Dela Cruz, Chair
Senator Sharon Y. Moriwaki, Vice Chair

HB 2429, HD2, SD1

Testimony of Isaac W. Choy, CPA

IN SUPPORT

Hearing Date Wednesday, April 8, 2026, 10:02 AM

This bill merely requires the gathering of information to fully evaluate Tax Expenditures.

In the Star Advertiser article dated April 5, 2026, "Lawmakers consider action on film industry incentives," the Tax Foundation writes about the film credit and says, "called it a drain on the state treasury with no rational basis for increasing and extending rebates other than to keep pace with escalating incentives in other places." The article further quotes DBEDT, "DBEDT's analysis also noted that if 60% of the spending was induced by the program, then the state incurred a fiscal loss of \$27,000,000 after accounting for tax revenues generated by the induced spending."

Taxpayers and policymakers should evaluate both the tangible and intangible benefits, the underlying rationale, and the associated costs of each tax expenditure. Additionally, it is important to communicate to Hawaii residents that the state subsidizes the film industry with \$27 million annually, and to clarify which other industries receive financial support from public tax funds.

Additionally, Section 3(d) responds to the issues identified by the Department of Taxation.

If any technical issues arise, I will be available to assist.

I appreciate the opportunity to contribute my remarks regarding the measure.

HB-2429-SD-1

Submitted on: 4/6/2026 1:05:47 PM

Testimony for WAM on 4/8/2026 10:02:00 AM

Submitted By	Organization	Testifier Position	Testify
lynne matusow	Individual	Oppose	Written Testimony Only

Comments:

Recent news reports indicate several reasons why this bill should be deferred. first, if someone claims a credit that becomes public knowledge. tax retruns are not supposed to be public knowledge.

second, this is double taxation of the same item.

please kill this bill now.

lynne matusow

HB-2429-SD-1

Submitted on: 4/6/2026 1:55:53 PM

Testimony for WAM on 4/8/2026 10:02:00 AM

Submitted By	Organization	Testifier Position	Testify
Ron Heller	Individual	Oppose	Written Testimony Only

Comments:

This Bill would have serious negative effects on many taxpayers. At a minimum, it would require a substantial duplication of effort, by requiring taxpayers to submit additional and separate forms in addition to their state tax returns. These new forms would contain information that, for the most part, the Department of Taxation already has.

In particular, smaller nonprofit organizations, which often operate with volunteer staff, would have to deal with a substantial new burden.

It would also cause many taxpayers to lose credits or exemptions that they are actually entitled to, simply because they fail to file the new additional form by an artificial deadline. Note that as written, the deadline for the new form would generally be EARLIER than the existing deadline to claim a credit or exemption -- this would take many taxpayers by surprise.

Moreover, the broad language of the Bill would sweep in many people who would not even realize that they are receiving a "tax exemption." For example, the General Excise tax includes an exemption for recipients of alimony. (HRS 237-24(7)) Under this bill, every person receiving alimony would be required to file a new form, annually, or be taxed under the GE Tax. Inevitably, thousands of people would be hit with an unexpected tax burden.

Finally, the public nature of the new reports would undo much of the existing protection of the confidentiality of tax returns.

I urge you to REJECT HB 2429

HB-2429-SD-1

Submitted on: 4/7/2026 7:00:58 PM

Testimony for WAM on 4/8/2026 10:02:00 AM

Submitted By	Organization	Testifier Position	Testify
Cheryl Rzonca	Individual	Oppose	Written Testimony Only

Comments:

I oppose HB2429. No ones tax return should be public knowledge except possibly public servants such as the governor, mayor, Lt Governor, etc.

TO: Members of the Committee on Ways and Means

FROM: Natalie Iwasa, CPA, CFE
808-395-3233

HEARING: 10:02 a.m. Wednesday, April 8, 2026

SUBJECT: HB2429, HD2, SD1, Tax Expenditure Evaluation - **OPPOSED**

Aloha Chair Dela Cruz and Committee Members,

Thank you for allowing the opportunity to provide testimony on HB2429, HD2, SD1, which basically requires taxpayers to file a separate return in order to be allowed to take general excise, use, or income tax exemptions or credits.

This bill would require taxpayers to submit additional information to the state on or before the due date of annual general excise or income tax returns. This will be a burden on some taxpayers who are already confused with our tax laws, and I question the benefit when the state already has so much information available for use in evaluating exemptions and credits.

In addition to the time and cost taxpayers would incur to prepare such forms, the state would need resources to administer these returns, arrive at "costs" of each exemption or credit and report to the legislature.

Let's just skip the additional taxpayer reporting requirement and ask the DoTAX to use the information they have.

I oppose the bill, including the fact that much of the information required to be disclosed would be available to the public.

Please vote "no" on HB2429, HD2, SD1.