



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

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**LATE**

Statement of  
**JAMES KUNANE TOKIOKA**  
Director

Department of Business, Economic Development, and Tourism  
before the  
**SENATE COMMITTEE ON ECONOMIC DEVELOPMENT AND TOURISM**

Tuesday, February 10, 2026  
1:02 PM  
State Capitol, Conference Room 229

In consideration of  
**SB3278**  
**RELATING TO TAX EXPENDITURE EVALUATION**

Chair Decoite, Vice Chair Wakai, and members of the Committee. The Department of Business, Economic Development, and Tourism (DBEDT) supports the intent of SB3278, which seeks to improve transparency and data-driven evaluation of tax expenditures.

DBEDT supports the collection and analysis of data to assess the effectiveness of tax expenditures and acknowledges 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.

DBEDT respectfully requests clarification regarding provisions requiring information collected or shared under this measure to be available for public inspection and dissemination. While DBEDT supports transparency, the Department is mindful of the need to ensure consistency with taxpayer confidentiality and privacy protections, including chapter 92F, Hawai'i Revised Statutes.

To avoid potential conflicts with existing confidentiality laws, DBEDT defers to the Department of Taxation regarding the interpretation and implementation of these disclosure provisions and requests additional statutory clarity regarding data aggregation and anonymization standards.

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

**JOSH GREEN M.D.**  
GOVERNOR

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**DEPARTMENT OF TAXATION**

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

**TESTIMONY ON THE FOLLOWING MEASURE:**

S.B. No. 3278, Relating to Tax Expenditure Evaluation

**BEFORE THE:**

Senate Committee on Economic Development and Tourism

**DATE:** Tuesday, February 10, 2026

**TIME:** 1:02 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 S.B. 3278 for your consideration.

Section 2 of S.B. 3278 adds a new section to Part I of chapter 201, Hawaii Revised Statutes (HRS), requiring taxpayers to report annually on tax credit and tax exemptions for the five-year period after claiming the credit or exemption. Specifically, each year on the due date (including any extensions) for filing a tax return, taxpayers must provide to the Department of Business, Economic Development, and Tourism (DBEDT) reports as follows:

- For tax credits under chapter 235, HRS (income tax), other than a credit claimed under section 235-15 (tax credit to promote the purchase of child passenger restraint systems), or under Part III of chapter 235 (Individual Income Tax), their name and the total cost of the tax credit to the State for the taxable year; or
- For tax exemptions under chapter 237 (general excise tax) and chapter 238 (use tax), their GET tax license number, amount exempted, and total cost of the exemption to the State for the taxable year.

DBEDT, in coordination with DOTAX, will review the information collected and report to the legislature by September 1 of each year on summary statistical findings regarding the effectiveness of the tax credits and exemptions. The information collected and the resulting report(s) will be made available for public distribution and review. DBEDT and DOTAX may adopt rules necessary to enforce taxpayer reporting and assist in fulfilling the review and summary reporting requirements.

Section 3 of the bill adds a new section to chapter 231, HRS, directing DOTAX to provide DBEDT with tax records and information requested by DBEDT pursuant to the new section 201-\_\_\_. The information shared by DOTAX will also be made available for public distribution and review.

This measure is effective on July 1, 2026, for taxable years beginning after December 31, 2026.

First, DOTAX notes that section 3 of the bill, which requires DOTAX provide tax records and other information to DBEDT notwithstanding any other law to the contrary, may include the disclosure of federal tax information, which is prohibited from disclosure under Internal Revenue Code section 6103. To avoid a potential violation of federal law, DOTAX recommends adding an express exception for any disclosure prohibited by federal law.

Second, to protect taxpayer confidentiality and unnecessary disclosures, DOTAX recommends that section 3 of the bill be amended to clarify that information requested by DBEDT must be material and directly relevant to the report required under section 201-\_\_\_(c).

Third, DOTAX strongly recommends that the provision that makes tax information provided by DOTAX to DBEDT available for public inspection and dissemination be deleted. DOTAX notes that taxpayer confidentiality is crucial for encouraging voluntary compliance and accurate reporting. Making tax return 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. DOTAX notes that the report to the Legislature and the information collected by DBEDT under the new section 201-\_\_\_ will be public.

To effectuate the recommendations above, DOTAX recommends adoption of the following language for the new section 231-\_\_\_:

Notwithstanding any other law to the contrary, the department shall provide to the department of business, economic development, and tourism any tax records and other information maintained by the

department that are material and directly relevant to preparation of the report required under section 201- upon written request from the department of business, economic development, and tourism; provided that the department shall not provide any tax records or information prohibited from disclosure under federal law. Any information provided to the department of business, economic development, and tourism marked confidential by the department shall be kept confidential by the department of business, economic development, and tourism.

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

# TAX FOUNDATION OF HAWAII

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

BILL NUMBER: SB 3278, HB 2429

INTRODUCED BY: HB by YAMASHITA; SB by DELA CRUZ

EXECUTIVE SUMMARY: Requires 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.

SYNOPSIS: Adds a new section to chapter 201, HRS, specifying conditions to claim income tax credits and general excise or use tax exemptions. As a condition of claiming income tax credits under chapter 235, for five tax years following initial claiming of the credit, the taxpayer shall provide to the DBEDT annually on the due date, including extensions, of the taxpayer's income tax return the taxpayer's name and the total cost of the tax credit to the State during the taxable year. This requirement would not apply to child passenger restraint system tax credits under sec 235-15 and to tax credits under Chapter 235, Part III Individual Income tax.

Also, as a condition of claiming GET exemptions under chapter 237 and related use tax exemptions under chapter 238 that the taxpayer provide to the department annually on the due date, including extensions, of the taxpayer's general excise and use tax return the taxpayer's name, GET license number, amount exempted and the total cost of the exemption to the State for the taxable year.

DBEDT, in collaboration with the department of taxation, is to use the information collected 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.

Sec 201(e) The director of business, economic development, and tourism and the director of taxation shall adopt rules pursuant to chapter 91 and prepare any forms necessary to carry out this section.

Chapter 231, HRS, is amended by adding a new section to require the department (of taxation) to provide to the department of business, economic development, and tourism any tax records and other information maintained by the department that are requested by the department of business, economic development, and tourism pursuant to section 201- \_\_.

EFFECTIVE DATE: On July 1, 2026, 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 some technical questions.

First, what are the “total costs” 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.

The new section requires reporting to the “department,” namely DBEDT. But the same information is provided on tax returns filed with the Department of Taxation, and the new section in chapter 231 seems designed to give DBEDT access to that information. Is the intent to have taxpayers file two tax returns, one with DBEDT and one with DOTAX? If so, what are the consequences of the taxpayer filing with one but not the other agency?

The bill requires reporting for a period of five tax years following the initial claiming of the income tax credit. We cannot conceive of what information needs to be provided for subsequent tax years that is not already reported on the tax return and supporting forms. And what if the taxpayer fails to file one of the five subsequent disclosures? Is the credit and/or exemption nullified? If so, how can the credit or exemption be recouped if the failure to report occurs after the statute of limitations on tax assessment (generally three years) has already expired?

Digested: 2/7/2026