
A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 SECTION 1. The legislature finds that tax exemptions,
2 exclusions, and credits require periodic review to determine
3 their tax expenditures, benefits, and continued merit and
4 necessity. The legislature further finds that tax expenditures
5 from the exemptions, exclusions, and credits reduce revenues to
6 the State. This requires ordinary taxpayers who do not benefit
7 from the exemptions, exclusions, and credits to compensate for
8 the reduced revenues. Alternatively, funding for important
9 state programs must be curtailed. The legislature further finds
10 that good tax policy requires the equal treatment of similarly-
11 situated taxpayers for the sake of equity and efficiency. When
12 certain taxpayers receive special benefits to the detriment of
13 others, it may generate resentment that leads to the loss of the
14 general public's confidence in fair treatment by the state
15 government.

16 However, the legislature also believes that certain tax
17 exemptions, exclusions, and credits are worthy of continuation
18 for equity, efficiency, and economic and social policy. The



1 legislature finds that independent review by the state auditor
2 would help the legislature to identify and affirm the
3 exemptions, exclusions, and credits that represent good public
4 policy.

5 Accordingly, the purpose of this Act is to require the
6 state auditor to periodically review certain tax exemptions,
7 exclusions, and credits under the general excise and use taxes,
8 public service company tax, and insurance premium tax. These
9 taxes are generally imposed on gross income or a similar
10 measure. The legislature finds that this Act is necessary to
11 promote tax equity and efficiency, adequacy of state revenues,
12 public transparency, and confidence in a fair state government.

13 This Act also generates funds for the auditor's reviews by
14 imposing a fee on each taxpayer who files a tax return and
15 benefits from a tax exemption, exclusion, or credit. The
16 legislature finds that the reviews should be funded by the
17 taxpayers who receive these tax benefits and not through general
18 fund taxes paid by other businesses and state residents.

19 The legislature also notes that this Act comprehensively
20 imposes the fee at the same dollar amount on each taxpayer who
21 files a tax return and benefits from a tax exemption, exclusion,



1 or credit, even if that exemption, exclusion, or credit is not
 2 scheduled for review during that taxable year. The legislature
 3 has established this process for administrative efficiency and
 4 ease, balancing the interest of the State in funding the reviews
 5 against the relatively negligible financial impact on taxpayers
 6 benefiting from the exemptions, exclusions, and credits.

7 SECTION 2. Chapter 23, Hawaii Revised Statutes, is amended
 8 by adding a new part to be appropriately designated and to read
 9 as follows:

10 "PART . REVIEW OF TAX EXEMPTIONS,
 11 EXCLUSIONS, AND CREDITS

12 §23-A Review of certain exemptions, exclusions, and
 13 credits under the general excise and use taxes, public service
 14 company tax, and insurance premium tax. (a) The auditor shall
 15 conduct a review of the tax exemptions, exclusions, and credits
 16 listed in sections 23-D to 23-M.

17 (b) In the review of an exemption, exclusion, or credit,
 18 the auditor shall:

- 19 (1) Determine the amount of tax expenditure for the
 20 exemption, exclusion, or credit for each of the
 21 previous three fiscal years;



- 1 (2) Estimate the amount of tax expenditure for the
- 2 exemption, exclusion, or credit for the current fiscal
- 3 year and the next two fiscal years;
- 4 (3) Determine whether the exemption, exclusion, or credit
- 5 has achieved and continues to achieve the purpose for
- 6 which it was enacted by the legislature;
- 7 (4) Determine whether the exemption, exclusion, or credit
- 8 is necessary to promote or preserve tax equity or
- 9 efficiency;
- 10 (5) If the exemption, exclusion, or credit was enacted
- 11 because of its purported economic or employment
- 12 benefit to the State:
- 13 (A) Determine whether a benefit has resulted, and if
- 14 so, quantify to the extent possible the estimated
- 15 benefit directly attributable to the exemption,
- 16 exclusion, or credit; and
- 17 (B) Comment on whether the benefit, if any, outweighs
- 18 the cost of the exemption, exclusion, or credit;
- 19 and
- 20 (6) Estimate the annual cost of the exemption, exclusion,
- 21 or credit per low-income resident of the State. For

1 purposes of this paragraph, a "low-income resident of
2 the State" means an individual who is a resident of
3 the State and:

- 4 (A) Is the only member of a family of one and has an
5 income of not more than eighty per cent of the
6 area median income for a family of one; or
7 (B) Is part of a family with an income of not more
8 than eighty per cent of the area median income
9 for a family of the same size.

10 The cost shall be estimated by dividing the annual tax
11 expenditure for the exemption, exclusion, or credit
12 for each fiscal year under review by the number of
13 low-income residents of the State in the fiscal year.
14 The estimate determined pursuant to this paragraph is
15 intended to display the effect on low-income residents
16 of the State if they directly receive, either through
17 tax reduction or negative tax, the dollars saved by
18 elimination of the exemption, exclusion, or credit.

19 (c) Based on the review, the auditor shall recommend that
20 the exemption, exclusion, or credit be retained without
21 modification, amended, or repealed.



1 The auditor may recommend that an exemption, exclusion, or
2 credit be removed from review under sections 23-D through 23-M.
3 **§23-B Funds for review; audit revolving fund; excessive**
4 **fee reduction.** (a) Subject to legislative appropriation, the
5 auditor shall pay for the reviews required by this part using
6 the proceeds of the fees deposited into the audit revolving fund
7 pursuant to sections 237- , 238- , 239- , and 431:7-
8
9 (b) If the auditor determines that the moneys in the audit
10 revolving fund expendable for the reviews exceed the amount
11 necessary for a future fiscal year, the auditor may require the
12 director of taxation and insurance commissioner to reduce the
13 fee collectible for a tax year under sections 237- , 238-
14 , 239- , and 431:7- to a specified dollar amount
15 less than \$. The specified dollar amount shall be
16 sufficient to pay for the reviews in the future fiscal year.
17 If, after a reduction of the fee, the auditor determines
18 that an increase of the fee is necessary for a future fiscal
19 year, the auditor shall require the director of taxation and
20 insurance commissioner to increase the fee to a specified dollar
21 amount not exceeding \$.



1 Any fee reduction or increase shall apply to every fee
2 imposed under sections 237- , 238- , 239- , and
3 431:7- .

4 The auditor shall provide the director of taxation and
5 insurance commissioner with written notice of the reduction or
6 increase of the fee at least one year prior to the commencement
7 of the taxable year for which the fee amount is to be reduced or
8 increased.

9 §23-C Director of taxation; cooperation. The director of
10 taxation shall cooperate with the auditor's request for
11 information when the auditor conducts a review of an exemption,
12 exclusion, or credit; provided that the director of taxation
13 shall not disclose to the auditor any information prohibited
14 from disclosure by law.

15 §23-D Review for 2018 and every tenth year thereafter.

16 (a) The exemptions and exclusions under the general excise and
17 use taxes listed in subsection (c) shall be reviewed in 2018 and
18 every tenth year thereafter.

19 (b) The auditor shall submit the findings and
20 recommendations of the reviews to the legislature and governor



1 no later than twenty days prior to the convening of the
2 immediately following regular session.

3 (c) This section shall apply to the following:

4 (1) Section 237-3(b)--Gross receipts from the following:

5 (A) Sales of securities;

6 (B) Sales of commodity futures;

7 (C) Sales of evidences of indebtedness;

8 (D) Fee simple sales of improved or unimproved land;

9 (E) Dividends; and

10 (F) Sales or transfers of materials and supplies,
11 interest on loans, and provision of services
12 among members of an affiliated public service
13 company group;

14 (2) Section 237-13(3)(B)--Gross income of contractors from
15 subcontractors;

16 (3) Section 237-13(3)(C)--Reimbursements to federal cost-
17 plus contractors;

18 (4) Section 237-13(6)(D)(i), (ii), (iii), and (iv)--Gross
19 receipts of home service providers acting as service
20 carriers;



- 1 (5) Section 237-24.3(11)--Amounts received from aircraft
2 and aircraft engine rental or leasing;
- 3 (6) Section 237-24.9--Amounts received from aircraft
4 servicing and maintenance and aircraft service and
5 maintenance facility construction;
- 6 (7) Section 238-1, paragraph (6) of the definition of
7 "use"--The value of aircraft leases or rental and
8 acquired or imported aircrafts and aircraft engines;
9 and
- 10 (8) Section 238-1, paragraph (8) of the definition of
11 "use"--The value of material, parts, or tools for
12 aircraft service and maintenance and aircraft service
13 and maintenance facility construction.
- 14 **§23-E Review for 2019 and every tenth year thereafter.**
- 15 (a) The exemptions and exclusions under the general excise tax
16 listed in subsection (c) shall be reviewed in 2019 and every
17 tenth year thereafter.
- 18 (b) The auditor shall submit the findings and
19 recommendations of the reviews to the legislature and governor
20 no later than twenty days prior to the convening of the
21 immediately following regular session.



- 1 (c) This section shall apply to the following:
- 2 (1) Section 237-16.5--Gross income of real property
3 lessees from sublessees;
- 4 (2) Section 237-16.8--Value or gross income of nonprofit
5 organizations from conventions, conferences, trade
6 shows, and display spaces;
- 7 (3) Section 349-10--Proceeds earned from annual senior
8 citizen's fairs;
- 9 (4) Section 237-23.5--Amounts received from common
10 payments of related entities;
- 11 (5) Section 237-24(13)--Amounts received by blind, deaf,
12 or totally disabled persons from their business;
- 13 (6) Section 237-24(14)--Amounts received by independent
14 cane farmers who are sugarcane producers;
- 15 (7) Section 237-24(15)--Amounts received by foster
16 parents;
- 17 (8) Section 237-24(16)--Reimbursements to cooperative
18 housing corporations for operating and maintenance
19 expenses;
- 20 (9) Section 237-24(17)--Amounts received by TRICARE
21 managed care support contractors; and



1 (10) Section 237-24(18)--Amounts received by patient-
2 centered community care program contractors.

3 §23-F Review for 2020 and every tenth year thereafter.

4 (a) The exemptions, exclusions, or credits under the general
5 excise tax, public service company tax, or insurance premium tax
6 listed in subsection (c) shall be reviewed in 2020 and every
7 tenth year thereafter.

8 (b) The auditor shall submit the findings and
9 recommendations of the reviews to the legislature and governor
10 no later than twenty days prior to the convening of the
11 immediately following regular session.

12 (c) This section shall apply to the following:

13 (1) Section 239-2, paragraph (5) of the definition of
14 "gross income"--Gross income of home service providers
15 of mobile telecommunications services;

16 (2) Section 239-2, exclusions under the definition of
17 "gross income"--Dividends paid by one member to
18 another member of an affiliated public service company
19 group or gross income from the sale or transfer of
20 materials and supplies, interest on loans, and



- 1 provision of services among members of an affiliated
2 public service company group;
- 3 (3) Section 237-3(b)--Gross receipts from the sale or
4 transfer of materials and supplies, interest on loans,
5 and provision of services among members of an
6 affiliated public service company group;
- 7 (4) Section 239-5.5--Gross income of utilities from
8 monthly surcharges;
- 9 (5) Section 239-5.6--Gross income of electric utility
10 companies from cable surcharges;
- 11 (6) Section 239-6.5--Tax credit for lifeline telephone
12 service subsidies;
- 13 (7) Section 269-172--Green infrastructure charges received
14 by electric utilities;
- 15 (8) Section 237-29.7--Gross income or gross proceeds
16 received by insurance companies;
- 17 (9) Section 431:7-207--Tax credit to facilitate regulatory
18 oversight;
- 19 (10) Section 432:1-403--Exemption for nonprofit medical
20 indemnity or hospital service associations or
21 societies specifically from the general excise tax,



1 public service company tax, or insurance premium tax;

2 and

3 (11) Section 432:2-503--Exemption for fraternal benefit
4 societies specifically from the general excise tax,
5 public service company tax, or insurance premium tax.

6 §23-G Review for 2021 and every tenth year thereafter.

7 (a) The exemptions or exclusions under the general excise and
8 use taxes listed in subsection (c) shall be reviewed in 2021 and
9 every tenth year thereafter.

10 (b) The auditor shall submit the findings and
11 recommendations of the reviews to the legislature and governor
12 no later than twenty days prior to the convening of the
13 immediately following regular session.

14 (c) This section shall apply to the following:

15 (1) Section 237-24.3(1)--Amounts received from loading,
16 transporting, and unloading agricultural commodities
17 shipped interisland;

18 (2) Section 237-24.3(3)(A)--Amounts received from cargo
19 loading or unloading;

20 (3) Section 237-24.3(3)(B)--Amounts received from tugboat
21 and towage services;



- 1 (4) Section 237-24.3(3)(C)--Amounts received from the
2 transportation of pilots or government officials and
3 other maritime-related services;
- 4 (5) Section 238-1, paragraph (7) of the definition of
5 "use"--The value of oceangoing vehicles for
6 transportation from one point to another in the State;
- 7 (6) Section 238-3(g)--The value of imported intoxicating
8 liquor and cigarettes and tobacco products for sale to
9 persons or common carriers in interstate commerce;
- 10 (7) Section 238-3(h)--The value of vessels constructed
11 under section 189-25, relating to commercial fishing
12 vessel loans, prior to July 1, 1969; and
- 13 (8) Section 237-28.1--Gross proceeds from shipbuilding and
14 ship repair.

15 **§23-H Review for 2022 and every tenth year thereafter.**

16 (a) The exemptions or exclusions under the general excise tax
17 listed in subsection (c) shall be reviewed in 2022 and every
18 tenth year thereafter.

19 (b) The auditor shall submit the findings and
20 recommendations of the reviews to the legislature and governor



1 no later than twenty days prior to the convening of the
2 immediately following regular session.

3 (c) This section shall apply to the following:

4 (1) Section 237-24.3(4)--Amounts received by employment
5 benefit plans and amounts received by nonprofit
6 organizations or offices for the administration of
7 employee benefit plans;

8 (2) Section 237-24.3(5)--Amounts received from food
9 coupons under the federal food stamp program or
10 vouchers under the Special Supplemental Foods Program
11 for Women, Infants and Children;

12 (3) Section 237-24.3(6)--Amounts received from the sale of
13 prescription drugs or prosthetic devices;

14 (4) Section 237-24.3(8)--Amounts received as dues by
15 unincorporated merchants associations for advertising
16 or promotion;

17 (5) Section 237-24.3(9)--Amounts received by labor
18 organizations from real property leases;

19 (6) Section 237-24.75(2)--Reimbursements to the Hawaii
20 convention center operator from the Hawaii tourism
21 authority;



1 (7) Section 237-24.75(3)--Reimbursements to professional
2 employer organizations from client companies for
3 employee wages and fringe benefits; and

4 (8) Section 209E-11--Amounts received by qualified
5 businesses in enterprise zones.

6 §23-I Review for 2023 and every tenth year thereafter.

7 (a) The exemptions or exclusions under the general excise and
8 use taxes listed in subsection (c) shall be reviewed in 2023 and
9 every tenth year thereafter.

10 (b) The auditor shall submit the findings and
11 recommendations of the reviews to the legislature and governor
12 no later than twenty days prior to the convening of the
13 immediately following regular session.

14 (c) This section shall apply to the following:

15 (1) Section 237-24.3(2)--Reimbursements to associations of
16 owners of condominium property regimes or nonprofit
17 homeowners or community associations for common
18 expenses;

19 (2) Section 237-24.5--Amounts received by exchanges or
20 exchange members;



- 1 (3) Section 237-25(a)(3)--Gross income received from
2 tangible personal property sales to state-chartered
3 credit unions;
- 4 (4) Section 237-24.8--Amounts received by financial
5 institutions, trust companies, trust departments, or
6 financial corporations acting as interbank brokers;
- 7 (5) Section 237-26--Gross proceeds of scientific
8 contractors and subcontractors;
- 9 (6) Section 238-3(j)--The value of property or services
10 exempted by section 237-26, relating to scientific
11 contracts; and
- 12 (7) Section 237-27--Amounts received by petroleum product
13 refiners from other refiners.

14 **§23-J Review for 2024 and every tenth year thereafter.**

15 (a) The exemptions or exclusions under the general excise tax
16 listed in subsection (c) shall be reviewed in 2024 and every
17 tenth year thereafter.

18 (b) The auditor shall submit the findings and
19 recommendations of the reviews to the legislature and governor
20 no later than twenty days prior to the convening of the
21 immediately following regular session.



- 1 (c) This section shall apply to the following:
- 2 (1) Section 237-24.7(1)--Amounts received by hotel
- 3 operators and hotel suboperators for employee wages
- 4 and fringe benefits;
- 5 (2) Section 237-24.7(2)--Amounts received by a county
- 6 transportation system operator under a contract with
- 7 the county;
- 8 (3) Section 237-24.7(4)--Amounts received by orchard
- 9 property operators for employee wages and fringe
- 10 benefits;
- 11 (4) Section 237-24.7(6)--Amounts received from insurers
- 12 for damage or loss of inventory of businesses located
- 13 in a natural disaster area;
- 14 (5) Section 237-24.7(7)--Amounts received by community
- 15 organizations, school booster clubs, and nonprofit
- 16 organizations for precinct and other election-related
- 17 activities;
- 18 (6) Section 237-24.7(8)--Interest received by persons
- 19 domiciled outside the State from trust companies
- 20 acting as payment agents or trustees on behalf of



1 issuers or payees of interest-bearing instruments or
2 obligations;

3 (7) Section 237-24.7(9)--Amounts received by management
4 companies from related entities engaged in interstate
5 or foreign common carrier telecommunications services
6 for employee wages and fringe benefits; and

7 (8) Section 237-24.7(10)--Amounts received from high
8 technology research and development grants.

9 **§23-K Review for 2025 and every tenth year thereafter.**

10 (a) The exemptions, exclusions, or credits under the general
11 excise and use taxes and insurance premium tax listed in
12 subsection (c) shall be reviewed in 2025 and every tenth year
13 thereafter.

14 (b) The auditor shall submit the findings and
15 recommendations of the reviews to the legislature and governor
16 no later than twenty days prior to the convening of the
17 immediately following regular session.

18 (c) This section shall apply to the following:

19 (1) Section 237-27.5--Gross proceeds from air pollution
20 control facility construction, reconstruction,
21 operation, use, maintenance, or furnishing;



- 1 (2) Section 238-3(k)--The value of air pollution control
- 2 facilities;
- 3 (3) Section 237-27.6--Amounts received by solid waste
- 4 processing, disposal, and electric generating facility
- 5 operators under sale and leaseback transactions with
- 6 political subdivisions that involve the facilities;
- 7 (4) Section 237-29--Gross income of qualified persons or
- 8 firms or nonprofits or limited distribution mortgagors
- 9 for certified or approved low-income housing projects;
- 10 (5) Section 238-3(j)--The value of property, services, or
- 11 contracting exempted by section 237-29, relating to
- 12 certified or approved housing projects;
- 13 (6) Section 431:7-208--Credit for low-income housing;
- 14 (7) Section 46-15.1(a)--Gross income from county low-
- 15 income housing projects; and
- 16 (8) Section 346-369--Compensation received by provider
- 17 agencies for homeless services or homeless facility
- 18 management.

19 §23-L Review for 2026 and every tenth year thereafter.

20 (a) The exemptions or exclusions under the general excise and



1 use taxes listed in subsection (c) shall be reviewed in 2026 and
2 every tenth year thereafter.

3 (b) The auditor shall submit the findings and
4 recommendations of the reviews to the legislature and governor
5 no later than twenty days prior to the convening of the
6 immediately following regular session.

7 (c) This section shall apply to the following:

- 8 (1) Section 237-29.5--Value or gross proceeds from
9 tangible personal property shipped out of State;
- 10 (2) Section 237-29.53--Value or gross income from
11 contracting or services performed for use outside the
12 State;
- 13 (3) Section 238-1, paragraph (9) of the definition of
14 "use"--The value of services or contracting imported
15 for resale, consumption, or use outside the State; and
- 16 (4) Section 237-29.55--Gross proceeds or gross income from
17 the sale of tangible personal property imported into
18 the State for subsequent resale.

19 **§23-M Review for 2027 and every tenth year thereafter.**

20 (a) The exemptions or exclusions under the general excise tax



1 listed in subsection (c) shall be reviewed in 2027 and every
2 tenth year thereafter.

3 (b) The auditor shall submit the findings and
4 recommendations of the reviews to the legislature and governor
5 no later than twenty days prior to the convening of the
6 immediately following regular session.

7 (c) This section shall apply to the following:

8 (1) Section 237-23(a)(3)--Fraternal benefit societies,
9 orders, or associations for the payment of benefits to
10 members;

11 (2) Section 237-23(a)(4)--Corporations, associations,
12 trusts, or societies:

13 (A) Organized and operated exclusively for religious,
14 charitable, scientific, or educational purposes;

15 (B) Operating senior citizens housing facilities
16 qualifying for loans under the United States
17 Housing Act of 1959, as amended;

18 (C) Operating legal service plans; or

19 (D) Operating or managing homeless facilities or
20 other programs for the homeless;



- 1 (3) Section 237-23(a)(5)--Business leagues, chambers of
2 commerce, boards of trade, civic leagues, agricultural
3 and horticultural organizations, and organizations
4 operated exclusively for the benefit of the community
5 or promotion of social welfare, including legal
6 service plans;
- 7 (4) Section 237-23(a)(6)--Hospitals, infirmaries, and
8 sanitaria;
- 9 (5) Section 237-23(a)(7)--Tax-exempt potable water
10 companies serving residential communities lacking
11 access to public utility water services;
- 12 (6) Section 237-23(a)(8)--Agricultural cooperative
13 associations incorporated under state or federal law;
- 14 (7) Section 237-23(a)(9)--Persons affected with Hansen's
15 disease and kokuas with respect to business within the
16 county of Kalawao;
- 17 (8) Section 237-23(a)(10)--Corporations, companies,
18 associations, or trusts organized for cemeteries; and
- 19 (9) Section 237-23(a)(11)--Nonprofit shippers."



1 SECTION 3. 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- Fee for exemption, exclusion, or credit. (a)

5 The director of taxation shall assess and collect a fee on every
6 annual return, filed pursuant to section 237-33, where the
7 taxpayer's gross proceeds of sale or gross income for the
8 taxable year has been reduced by an exemption, exclusion, or
9 credit listed under part of chapter 23, except for an
10 exemption provided by section 237-24(13).

11 Subject to section 23-B, the amount of the fee shall be
12 \$ per return.

13 (b) All fees collected under this section shall be
14 transmitted by the director of taxation to the director of
15 finance for deposit into the audit revolving fund established
16 under section 23-3.6.

17 The director of taxation shall transmit the fees collected
18 to the director of finance within thirty days of receipt.

19 Upon receipt of the fees collected from the director of
20 taxation, the director of finance shall immediately deposit the
21 fees collected into the audit revolving fund.



1 (d) A person who is not required to file an annual return
2 for the taxable year shall not be assessed the fee, even if the
3 person benefited from an exemption, exclusion, or credit listed
4 under part of chapter 23."

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

8 "§238- Fee for exemption, exclusion, or credit. (a)
9 The director of taxation shall assess and collect a fee on every
10 annual return, filed pursuant to section 238-5(c), where the
11 taxpayer's value of personal property, services, or contracting
12 used in the State for the taxable year has been reduced by an
13 exemption, exclusion, or credit listed under part of
14 chapter 23.

15 Subject to section 23-B, the amount of the fee shall be
16 \$ per return.

17 (b) All fees collected under this section shall be
18 transmitted by the director of taxation to the director of
19 finance for deposit into the audit revolving fund established
20 under section 23-3.6.



1 The director of taxation shall transmit the fees collected
2 to the director of finance within thirty days of receipt.

3 Upon receipt of the fees collected from the director of
4 taxation, the director of finance shall immediately deposit the
5 fees collected into the audit revolving fund.

6 (d) A person who is not required to file an annual return
7 for the taxable year under this chapter or chapter 237 shall not
8 be assessed the fee, even if the person benefited from an
9 exemption, exclusion, or credit listed under part of chapter
10 23."

11 SECTION 5. Chapter 239, Hawaii Revised Statutes, is
12 amended by adding a new section to be appropriately designated
13 and to read as follows:

14 "§239- Fee for exemption, exclusion, or credit. (a)
15 The director of taxation shall assess and collect a fee on every
16 annual return, filed pursuant to section 239-4, where the
17 taxpayer's gross income for the taxable year has been reduced by
18 an exemption, exclusion, or credit listed under part of
19 chapter 23.

20 Subject to section 23-B, the amount of the fee shall be
21 \$ per return.



1 (b) All fees collected under this section shall be
2 transmitted by the director of taxation to the director of
3 finance for deposit into the audit revolving fund established
4 under section 23-3.6.

5 The director of taxation shall transmit the fees collected
6 to the director of finance within thirty days of receipt.

7 Upon receipt of the fees collected from the director of
8 taxation, the director of finance shall immediately deposit the
9 fees collected into the audit revolving fund.

10 (d) A person who is not required to file an annual return
11 for the taxable year shall not be assessed the fee, even if the
12 person benefited from an exemption, exclusion, or credit listed
13 under part of chapter 23."

14 SECTION 6. Chapter 431, Hawaii Revised Statutes, is
15 amended by adding a new section to article VII, part II, to be
16 appropriately designated and to read as follows:

17 "§431:7- Fee for exemption, exclusion, or credit. (a)
18 The commissioner shall assess and collect a fee on every annual
19 tax statement, filed pursuant to section 431:7-201, where the
20 insurer claims an exemption, exclusion, or credit listed under
21 part of chapter 23.



1 Subject to section 23-B, the amount of the fee shall be
2 \$ per tax statement.

3 (b) All fees collected under this section shall be
4 transmitted by the commissioner to the director of finance for
5 deposit into the audit revolving fund established under section
6 23-3.6.

7 The commissioner shall transmit the fees collected to the
8 director of finance within thirty days of receipt.

9 Upon receipt of the fees collected from the commissioner,
10 the director of finance shall immediately deposit the fees
11 collected into the audit revolving fund.

12 (d) An insurer who is not required to file an annual tax
13 statement for the year shall not be assessed the fee, even if
14 the insurer benefited from an exemption, exclusion, or credit
15 listed under part of chapter 23."

16 SECTION 7. Section 23-3.6, Hawaii Revised Statutes, is
17 amended to read as follows:

18 "~~§~~23-3.6~~§~~ **Audit revolving fund.** (a) There is
19 established the audit revolving fund to be administered by the
20 office of the auditor, into which shall be deposited:



- 1 (1) Reimbursement moneys received by any department,
- 2 office, or agency of the State and its political
- 3 subdivisions for financial audits;
- 4 (2) Moneys received by the auditor from any department,
- 5 office, or agency of the State and its political
- 6 subdivisions for audit costs payable by special funds,
- 7 revolving funds, capital improvement funds, or trust
- 8 funds;
- 9 (3) Fees collected pursuant to sections 237- , 238-
- 10 , 239- and 431:7- ;
- 11 [~~3~~] (4) Legislative appropriations; and
- 12 [~~4~~] (5) All interest and investment earnings credited to
- 13 the assets of the fund.

14 (b) Moneys in the audit revolving fund received pursuant
 15 to subsections (a) (1) and (a) (2) shall be expended by the
 16 auditor to conduct audits of the State's departments, offices,
 17 agencies, and political subdivisions, audits of special,
 18 revolving, capital improvement, or trust funds, and for the
 19 services of certified public accountants contracted to conduct
 20 such audits.



1 (c) Moneys in the audit revolving fund received pursuant
 2 to subsections (a) (3) and (a) (5) shall be expended by the
 3 auditor for the review of exemptions, exclusions, and credits
 4 under the general excise tax, use tax, public service company
 5 tax, and insurance premium tax as provided under part .

6 (d) Moneys in the audit revolving fund received from
 7 legislative appropriations pursuant to subsection (a) (4) shall
 8 be expended as specified by the legislature."

9 SECTION 8. The director of taxation and insurance
 10 commissioner shall commence imposing and collecting the fee
 11 established under sections 237- , 238- , 239- , and
 12 431:7- , Hawaii Revised Statutes, in the 2017 taxable year.

13 After collection, the fees shall be administered in
 14 accordance with sections 237- , 238- , 239- , and
 15 431:7- , Hawaii Revised Statutes.

16 SECTION 9. There is appropriated out of the audit
 17 revolving fund of the State of Hawaii the sum of \$ or so
 18 much thereof as may be necessary for fiscal year 2017-2018 for
 19 the review of tax exemptions, exclusions, and credits in 2018 as
 20 provided under part of chapter 23, Hawaii Revised Statutes.



1 The sum appropriated shall be expended by the auditor for
2 the purposes of this Act.

3 SECTION 10. In codifying the new sections added by section
4 2 of this Act, the revisor of statutes shall substitute
5 appropriate section numbers for the letters used in designating
6 the new sections in this Act.

7 SECTION 11. Statutory material to be repealed is bracketed
8 and stricken. New statutory material is underscored.

9 SECTION 12. This Act shall take effect on July 1, 2017.



Report Title:

Tax Exemptions, Exclusions, and Credits; Auditor Review

Description:

Requires the Auditor to periodically review certain exemptions, exclusions, and credits under the general excise and use taxes, public service company tax, and insurance premium tax. Assesses a fee on taxpayers who file returns and benefit from an exemption, exclusion, or credit. Requires the deposit of the fees collected into the audit revolving fund. Effective 1/1/2017. (SD1)

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

