
Auditor's Summary

Review of Income Tax Provisions Pursuant to Section 23-95, Hawai'i Revised Statutes

Report No. 24-07



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THIS REPORT ASSESSES four credits and three deductions allowable under Hawai'i's Income Tax laws. Section 23-91 et seq., Hawai'i Revised Statutes (HRS), require the Auditor to review income tax provisions annually, on a five-year recurring cycle.

Specifically, this report reviews the following tax provisions:

- Deduction for individual housing account deposits, Section 235-5.5, HRS;
- Deduction for property losses due to a natural disaster, Section 235-7(f), HRS;
- Credit for cesspool upgrades, conversions, or connections, Section 235-16.5, HRS;
- Deduction for the maintenance of an exceptional tree, Section 235-19, HRS;
- Credit for the employment of a vocational rehabilitation referral, Section 235-55.91, HRS;
- Credit for in-kind services contributions for public school repair and maintenance, Section 235-110.2, HRS; and
- Credit for ownership of a low-income housing building, Sections 235-110.8 and 241-4.7, HRS.

This review informs the public and policymakers of the purposes, costs, and benefits of seven Hawai'i income tax incentives, and includes recommendations to address issues arising from the incentives and their usage.

We determined that three provisions accomplish their purposes and two do not. However, we were unable to determine whether one other provision achieved the primary purpose for which it was adopted and could not analyze the achievement of purpose of one provision that had been repealed. The inability to draw conclusions with respect to one provision stemmed primarily from a lack of data regarding its utilization. Determining whether purposes have been met was also frustrated by a lack of claim tracking or statutorily identified benchmarks or metrics. With respect to some provisions, our analysis of underlying bills or their legislative histories could not determine what outcomes the Legislature had intended to achieve.

We recommend that the Legislature retain four provisions and modify two. We recommend that the Legislature remove from future reviews the seventh provision, the credit for cesspool upgrades, conversions, or connections (Section 235-16.5, HRS). That credit was repealed on December 31, 2020.



Link to the complete report:

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<https://files.hawaii.gov/auditor/Reports/2024/24-07.pdf>