

TAX REVIEW COMMISSION 2025-2027

Fifth Meeting

April 20, 2026

Project Topic 1: Competitiveness



Topic 1: Competitiveness

Identification of opportunities to make Hawaii's tax system more competitive while maintaining current revenue collections

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- **Must include:**

- An empirical analysis of Hawaii's current competitiveness of its tax code in supporting economic growth and per capita income growth versus those of other states. The analysis should evaluate not only overall economic performance, but also whether Hawaii's tax structure promotes outcomes that are meaningful to residents, businesses, and long-term economic sustainability.
- Empirically supported tax policies, including working examples from other states, to support and encourage economic and income growth. The analysis should identify which practices have been effective elsewhere, explain the conditions under which they succeeded, and assess whether those approaches are realistically transferable or adaptable to Hawaii's unique economic, geographic, and fiscal circumstances.
- An empirical analysis of current or potential tax policies that would limit economic and income growth. This should include consideration of structural features of the tax system, compliance burdens, administrative complexity, or other policy design elements that may discourage investment, business activity, workforce retention, or broader economic opportunities in Hawai'i



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- **Must include:**

- Analysis of the cost and strategic value of select tax credits and incentives:
 - Including low-income housing tax credit, opportunity zone incentives, enterprise zone incentives, and the Hawai'i Film Credit, and others at the selection of the applicant. The purpose of this analysis is to determine whether such tax incentives are producing measurable economic value, whether they are aligned with Hawaii's policy goals, and whether their design could be improved to better support economic and income growth
 - Proposals to better deploy the identified cost of these selected tax credits and incentives to encourage economic growth. Where feasible, the analysis should also consider whether those resources could be better targeted to support per capita income growth, affordability, workforce stability, housing production, or other outcomes of direct benefit to Hawai'i residents.
 - A framework for evaluating the economic growth value of existing and proposed tax credits and incentives and corrective actions for ineffective tax credits and incentives (e.g., regular reviews, sunseting, etc.) The framework should be designed to assist policymakers in distinguishing between incentives that produce measurable public benefit and those that do not.

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- **Must consider:**

- Working within the constraint of maintaining current tax revenues. The analysis should recognize the State's need to preserve fiscal stability while identifying opportunities to improve competitiveness and support long-term economic growth.
- Stability and variety of current and proposed revenue source(s). Recommendations should take into account not only potential growth effects, but also whether proposed changes would create undue volatility, overreliance on narrow tax bases, or unintended long-term fiscal risk.
- Hawaii's balanced budget requirement. Recommendations should therefore be realistic, durable and mindful of budgetary constraints.
- Department of Taxation resources in administering tax collections. Recommendations should be sensitive to implementation challenges, enforcement burdens, data limitations, and the practical cost of administering more complex or highly specialized tax provisions.

