

## **TAX REVIEW COMMISSION**

**MINUTES FOR THE FIRST MEETING OF THE  
TAX REVIEW COMMISSION  
HELD AT 830 PUNCHBOWL STREET  
DEPARTMENT OF LABOR & INDUSTRIAL RELATIONS ROOM 310-314  
IN THE CITY AND COUNTY OF HONOLULU  
STATE OF HAWAII, ON MONDAY, JUNE 27, 2016 AT 1:30 PM**

The Commissioners of the Tax Review Commission (TRC) met at the Department of Labor & Industrial Relations Conference Rooms in the City and County of Honolulu, State of Hawaii, on Monday, June 27, 2016.

**Members Present:** John Knox, Chair  
Colleen Takamura, Vice-Chair  
Raymond Blouin  
Vaughn Cook  
M. Nalani Kaina  
William Pieper II

Member Absent: Dawn Lippert

**Staff:** Don Rousslang, Ted Shiraishi, Titin Sakata and Noe Kaawa

**Others:** Maria Zielinski, Director of Taxation  
Joseph Kim, Deputy Director of Taxation  
Randall Nishiyama, Department of the Attorney General  
Damien Elefante, Department of Taxation  
Mallory Fujitani, Department of Taxation  
Randy Hiyoto, House Finance  
Jonathan White, Department of Taxation  
Ben Park, Senate Ways and Means

### **CALL TO ORDER:**

Director Maria Zielinski called the meeting to order at 1:30 p.m. with a quorum present.

### **COMMUNICATION TO THE COMMISSION:**

Director Zielinski thanked everyone for coming to the first meeting of the TRC. Director Zielinski introduced herself and said she would preside over this meeting until a Chair and Vice-Chair was selected, which would occur later in the meeting.

Next, Director Zielinski said there would be a series of presentations that will include three Senate Concurrent Resolutions, one Senate Resolution and a letter from the Office of the Governor making some suggestions to help the TRC carry out its mandate.

The first item was Senate Concurrent Resolution Number 58 (SCR 58), "Requesting the Commission to evaluate income tax credits, exclusions and deductions."

Dr. Rousslang stated that when reading SCR 58, it raised questions for him. Is the resolution addressing only net income tax exclusions and deductions? It seems it may include General Excise Tax (GET) exclusions and deductions, but he was not sure. Of course tax credits would only involve net income tax.

He also had questions about the exclusions and deductions referred to in the resolution. Did the Legislature mean to include the exclusions and deduction that we get automatically with conformity to the federal income tax, like the home mortgage deduction? He also mentioned that both Congress and the U.S. Treasury put out extensive studies on tax expenditures in the U.S. corporate and individual net income taxes. Hence, it was not clear to him whether the legislature meant to include those in what they wanted the TRC to look at, but it was not clear that they didn't want to include them, either.

Ms. Takamura said when she spoke with the Ways and Means Committee, they talked about deductions and exemptions for GET. She had mentioned to them that when she started working back in the 80's, there were 32 exemptions and deductions, and now there are 68. They did want the TRC to look at it because it takes away from state revenues since it's excluding income from GET. They didn't specifically say only look at net income tax.

Dr. Rousslang said he asked, because the Resolution did cite the GET exemptions study that the 2005-2007 TRC did.

Ms. Takamura said they were interested in what the TRC could eliminate because a lot of it is special interest and maybe some no longer apply. She thinks nothing has really been looked at to see what doesn't apply or this only affects one person or a couple of companies. Her thoughts was that this is something the TRC should look at, and they didn't say don't go there. They did mention that there were a lot of items that the TRC should look at and GET is just one of them.

Dr. Rousslang asked if she got a sense about net income tax exclusions and deductions, did she think they wanted more than what came from our own code, above and beyond what the Feds gave.

Ms. Takamura said they did not talk about net income with her.

Mr. Cook said when he was there at a different time with the same committee, he concurs that they were also talking about GET exemptions and simplification. He believes they were concerned about GET.

As far as net income tax and Mr. Cook doesn't recall who said it, but one of the senators asked the TRC to consider the conformity of the standard deductions and personal exemptions because they haven't been tied to inflation where the federal's one has gotten a lot higher so there's a big disparity between that for income tax.

Dr. Knox said, without addressing that specific point, that in general this resolution was the one that he heard hit hardest in committee meetings and in a couple of courtesy calls with Representative Sylvia Luke from the House and Finance Committee, that this was her greatest interest of all of them.

Continuing on, Director Zielinski introduced Senate Concurrent Resolution Number 59 (SCR 59), "Requesting the TRC to study conformity of state income tax law with the Internal Revenue Code (IRC) as it relates to the standard deduction and personal exemption."

Dr. Rousslang said it seemed pretty straightforward. The questions were, should the standard deduction and personal exemption be indexed for inflation? And what would be the revenue cost of doing so. The basic idea of the standard deduction and the personal exemption is that people should have enough money to live on before you start to tax their income. Given that the cost of living in Hawaii is higher than the national average, maybe we should have a higher standard deduction and personal exemption than are in the federal income tax. Right now, we're far below, and we have people filing tax returns that are not required to file federally.

Director Zielinski continued with Senate Concurrent Resolution Number 138, "Requesting the TRC to evaluate the impacts of GET and use tax increases proposed during the regular session of 2016 and general excise tax pyramiding as applied to transient accommodations."

Dr. Rousslang pointed out that the GET pyramiding in the Resolution came, because you can't get the sublease deduction if you lease a hotel and then you rent out the rooms as transient accommodations. The sublease deduction provides anti-pyramiding relief for other subleases and rentals.

Director Zielinski asked if there were questions or comments. She continues to the last from the legislature, Senate Resolution Number 103, "Requests the TRC to update the study of the distribution of state and local tax burden by income class."

Dr. Rousslang said he wasn't sure why the legislature cited only the report from the 1989 TRC when there was a very good report from the 2005-2007 TRC. Both studies were good and basically came to the same conclusions. At the least, anyone looking at the 1989 study should read the 2005-2007 study as well.

Director Zielinski said the last communication to the TRC is a letter from the Governor's Office and its first item addresses what was already discussed in SCR 59, issues with regards to the standard deductions and personal exemptions. It goes further not only talking about the steps but how to basically make it affordable. Obviously if we were to do those two items, our budget would definitely be in the red. So it may be looking at changing perhaps the income tax rates and brackets. So it's taking SCR 59 and bringing it to another step. Obviously it's all good to

say yes we should make our standard deductions and personal exemptions higher. However, if we can't afford it, what's the sense. We need to do something that won't break the budget, but enable us to have a balanced one.

The second item the Governor suggested for the TRC is the equitable allocation of Transient Occupancy Tax (TOT), of which by the end of the year both hotels and timeshares will be at the same rate. That's not really equitable per se for hotels since TAT is based on the cost of the room rate and timeshares is based on half of the maintenance fee which is significantly less and the burden is a lot more on the hotels than on timeshares so there's an inequity here.

Dr. Rousslang stated that the tax inequity encourages investments in timeshares as opposed to hotels. Various studies have pointed out differences in things like expenditures on restaurants, etc. between hotel and timeshare guests. So the move towards timeshares was changing the value added we get per tourist. Of course, timeshares may provide a steadier, more reliable stream of visitors, but the question was whether the tax structure should encourage one form of the visitor over the other.

Director Zielinski said next item is equitable allocation of TAT and the clear concern of whether the neighbor islands relative to should they have a larger share of TAT or what is the right allocation. This study should really look at what the state is providing in services and who's getting the revenue. For example, the counties do not pay or provide for education since the schools are all under the state. On the other hand, revenues from real property taxes stay with the counties. So the question is what the equitable balance here?

Dr. Rousslang said that is a hard question. He mentioned that there was a commission specifically designed to look at the question and that it came up with a report for the legislature. He said he thought the Legislature did not act on its recommendations. So the Governor has asked again for another review from the TRC.

Ms. Takamura asked what the name of the commission was.

Mrs. Sakata responded it was a State-County work group.

Director Zielinski added that the group was made up of people who represented the counties and the state where they looked at the revenues and the services provided.

Mrs. Sakata said the report is available on the State Auditor's website.

Ms. Takamura said it was a good starting point.

Director Zielinski said the Governor just wanted a clear study since there is an expectation perhaps from the neighbor islands that they should have a larger share of the TAT, but the question that needs to be looked at is what is typically done in the public sector. What services is the State providing? What services is the City and County providing?

Dr. Knox said for the record, his wife was in that group and was not sure what it implicates for his involvement with the TRC.

Director Zielinski confirms that the report is on the State Auditor's website and continues to the next bullet relating to the erosion of certain tax types due to inflation. Those are the ones with a dollar amount except for cigarette tax which is looked at and revisited annually while others have remained the same and the tax get eroded due to inflation.

Dr. Rousslang said some specific taxes have not been adjusted in a long time, so over time they have become smaller in real terms, like the standard deductions and personal exemptions. Ways to fix the problem is to index the specific taxes for the inflation using the Consumer Price Index (CPI), or making them ad valorem taxes. Not all taxes can be made ad valorem, however. For example, the vehicle weight tax is based on weight, so it can be adjusted for inflation only by using a price index.

Dr. Knox said that indexing is something that has implications simply beyond these things. There are all sorts of things that are fixed rates right now. The amount of money that goes to the HTA is a set amount. He thinks that maybe quite a door to walk through and how much the TRC is going to look at.

Director Zielinski said that was a good point.

Mr. Blouin asked before the meeting moved on, he wanted to know what Dr. Rousslang's position was with the state.

Dr. Rousslang responded that he is the Acting Tax Research & Planning Officer and is the Co-Executive Officer of the TRC, with the Rules Officer.

#### **OVERVIEW OF THE SUNSHINE LAW:**

Third agenda item was the Sunshine Law. Director Zielinski asked Mr. Nishiyama from the Attorney General's Office to provide members of the TRC with an overview of the Sunshine Law.

Mr. Nishiyama referred to the open meeting guide to the Sunshine Law. Basically the activities as the TRC under the Sunshine Law are done in public. There should be very little activities, if any, discussed in private. All the TRC decision making needs to be done in public, there will be a record maintained of all the TRC's actions and it's available to the public. In terms of discussions amongst TRC members with an exception for two TRC members to speak outside the regular TRC meetings provided you don't ask for a vote on a topic. He advises the TRC to limit discussions to the public meetings. It makes it easier and cleaner.

He also said he noticed that several TRC members are from the neighbor islands and one of the things that the Sunshine Law allows is for video or audio conferencing. So if you're pressed for time, the TRC may wish to consider teleconferencing. What that requires is that the notice in the agenda states that there will be a teleconference or video conference. The location at which you

participate from must be open to the public. For example, if you list your office, you have to say members of the public will be allowed in your office for the purpose of attending that TRC meeting. He knows time is precious and that maybe a consideration for the future. He points out that if there is any materials that are distributed at the meeting, those materials must be at the teleconference or video conference location, and a reasonable amount of time is given if materials are submitted at the meeting itself. He believes reasonable time is fifteen minutes so materials can be faxed or emailed to you.

The last point he wanted to make because they are members of the TRC is that they may be asked by members of the public to discuss their activities on the TRC and is free to discuss those matters, but he does caution if it directly relates to matters which will be subject to a vote and cautions as the extent of those discussions. Asked if anyone had questions?

Mr. Cook's first question to Mr. Nishiyama related to teleconference or video conferencing and the need to be opened to the public, and asked if Mr. Nishiyama was talking about the location. For example, these rooms, where the meeting is taking place, and in his office in Hilo, does both locations have to be open to the public?

Mr. Nishiyama responded yes and reiterated that this was just an option for the TRC's consideration.

He continued that the TRC would follow the activities solicited on the agenda and items not included can be added by amending the agenda for discussion but requires a two-third vote by TRC members.

Mr. Cook mentioned that he and Dr. Knox met with the Senate Ways and Means Committee and were encouraged to attend public forums and to solicit comments.

Mr. Nishiyama responded that there is a difference between soliciting public comments and engaging in discussions that would undergo a vote. Soliciting comments should be welcomed and should be encouraged.

Ms. Takamura mentioned that she was told earlier about the deadline for filing disclosure forms with the State Ethics Commission and wanted to make sure the TRC had to file those forms although the TRC was not on the list.

Mr. Nishiyama said the TRC is not on the list of entities where your disclosure will be publically recorded.

Ms. Takamura asked do the TRC members have to file.

Mr. Nishiyama said the TRC has to file but it won't be publically disclosed.

Ms. Takamura mentioned that there was a deadline and believed it was in May. She called the State Ethics Commission and was told she couldn't do the disclosure forms on the website. She was also told to wait until they contacted her and would have thirty days to file the forms.

Mr. Nishiyama said to follow up with the State Ethics Commission to make sure it doesn't fall through the cracks.

Ms. Kaina said we just took the oath today so technically we're not official until today so there's no requirement to file anything yet.

Ms. Takayama said the TRC was not on the list at the time they did the website. She spoke with Randall of the State Ethics Commission and he said they will contact us by email and the TRC members will have to fill out the old forms.

Ms. Kaina stated the TRC wasn't formed as an official commission until today, so the State Ethics Commission wouldn't even have us listed and we couldn't file until after today.

Ms. Sakata mentioned that the State Ethics Commission contacted her asking for the TRC members' contact information. She believes the State Ethics Commission will contact the TRC members regarding the disclosure form. She asked the State Ethics Commission regarding the gift disclosure form. Although the deadline to file was in May or June, since the TRC didn't convene until today, they didn't need to file the gift disclosure form. She believes the TRC will be required to file next year.

Mr. Nishiyama said he concluded all he had to cover and asked if anyone had any questions.

Mr. Blouin asked what will be the biggest challenges for the TRC.

Mr. Nishiyama mentioned that this is his second time serving as counsel to the TRC. He thinks the challenges the TRC will face is one, feeling the need to discuss these points with someone, trying to get feedback from these points. The TRC is free to discuss with each other in public meeting and you can have discussions with members other than the commissioners, however, that's a gray line as to how much you disclose to those individuals. He thinks the TRC wants to receive feedback to form your own opinions but the idea of making full disclosure to an outsider or third party is worth further consideration. It does raise a number of issues.

Dr. Knox said don't find you saying I'm inclined to support or inclined to oppose.

Mr. Nishiyama said that's correct. The TRC members would want to reserve those types of comments for the public meetings of the TRC.

## **DISCUSSION OF THE COMMISSION'S STATUTORY DUTIES AND AVAILABLE RESOURCES:**

Director Zielinski continued to item four on the agenda to review the commission's statutory duties and available resources, and introduces Mr. Shiraishi to review the TRC's statutory duties from Chapter 232E.

Mr. Shiraishi bid everyone a good afternoon and introduced himself. He stated he would be providing a brief overview of the TRC's duties and powers found in Chapter 232E primarily section 1. He said the TRC would be made up of 7 members that were appointed by the Governor and confirmed by the Senate. "The commission may enter into contracts with consultants and engage employees necessary to perform its duties without regard to Chapter 76. Departments of the state government shall make available to the commission such data and facilities as are necessary for it to perform its duties."

He continued with Chapter 232E-3, "The commission shall conduct a systemic review of the State's tax structure, using such standards as equity and efficiency. Thirty days prior to the convening of the second regular session of the legislature after the members of the commission have been appointed, the commission shall submit to the legislature an evaluation of the State's tax structure and recommend revenue and tax policy, except that:" However, for this TRC, the exception would be from SB 2922, "For the commission appointed on or before July 1, 2015, or the successor commission intended to function prior to the appointment of a new commission on or before July 1, 2020, the commission shall submit the required evaluation and recommendations to the legislature thirty days prior to the convening of the regular session of 2018." This makes the deadline for your TRC to submit its report to the legislature December 31, 2017.

He then continued with resources available to the TRC and began with SB 2922, Section 2 that gives the TRC an appropriation of \$250,000.00 for fiscal year 2016-2017 which doesn't lapse as long as the funds are encumbered by June 30, 2018. Basically, the TRC has \$250,000.00 to contract vendors to conduct studies and so forth, and the additional part of resource would be the administrative support that DoTAX will provide.

Ms. Kaina asked if Chapter 76 was related to procurement and if the TRC was exempt from the procurement statute.

Mr. Shiraishi responded no, the TRC has to follow the regular procurement process.

Director Zielinski followed up further to the DoTAX support that members of the TRC would be working with: Donald Rousslang, TRC Executive Director (Acting Tax Research & Planning Officer); Ted Shiraishi, TRC Co-Executive Director (Administrative Rules Officer); Titin Sakata, TRC Technical Coordinator (Administrative Rules Specialist); and Noe Kaawa, TRC Secretary (Secretary to the Rules Office).

## **REVIEW OF THE 2010-2012 COMMISSION'S RECOMMENDATIONS:**

Director Zielinski continued with agenda item five, recommendations from the 2010-2012 TRC and had Dr. Rousslang briefly summarize those recommendations.

The TRC recommended the establishment of a Simpson-Bowles type commission to address both revenue and expenditures. Since the shortfall seemed so big, they didn't think it was



practical to close it by raising taxes alone. There needs to be some compromise between cutting government services and raising taxes.

The PFM Group provided the TRC with a multi-year forecasting model and recommended the model be used by budget authorities in the state and hoped it would be used. Dr. Rousslang was not sure if the model has been used.

The TRC recommended that the State urge the Hawaii Congressional delegation to support and enact federal legislation to address the United States Supreme Court decision in *Quill Corporation v. North Dakota*. This issue involves Electronic Commerce which has expanded the ability to import materials. It also expands the facility to shop by mail. Combined, E-Commerce and mail ordered items may not be subject to GET, but the buyer is liable for Use Tax, which is hard to enforce. The TRC commissioned a study by Dr. William F. Fox and he estimated that the state was losing approximately \$145million in GET annually as of 2012.

The TRC made recommendations to address regressivity of state income tax for residents below the poverty level by increasing the food/excise and low-income renters' credit, the standard deduction and/or personal exemption.

The TRC recommended providing additional resources for DoTAX to improve the department's collection and enforcement efforts. TRC supported the DoTAX plans to modernize their computer system to help with collections. TRC further believed with increased enforcement should be preceded by a tax amnesty program.

The TRC also recommended that tax measures should be utilized to help incentivize economic growth and diversification. Growing and diversifying Hawaii's economy was an important part of increasing revenues.

Dr. Knox asked how many TRC recommendations were accepted and implemented.

Dr. Rousslang responded he knew of one, but was not sure if it was the direct result of the TRC recommendation. The legislation said that if the Department of Budget and Finance does not begin making payments required to fund post employment health benefits of retired State workers starting July of 2018, then the payments would be taken directly out from GET collections before they went into the general fund. That would be a huge chunk of the budget.

He also mentioned DoTAX did get funding resources to upgrade and modernize our computer system.

Director Zielinski stated that DoTAX's Tax System Modernization began in July, 2015 and was scheduled to phase in changes in five roll outs and should be completed by 2019. Included in the first roll out was the replacement of old and outdated equipment like our scanners. The second roll out is scheduled for August 15, 2016 with changes primarily involving GET and TAT, and the analytical data we hope to capture which is something we simply don't have now. In turn, we hope it will enable us to better serve the taxpayers through the use of E-Services, especially those who have GET and TAT accounts and evidence of progress for these types of accounts through

analytics and better compliance to improve collections. The new system will provide more filtering upfront requiring less staff having to manually look at tax returns throughout the process until the back end.

DoTAX has improved the call center which was breaking down constantly. However, it doesn't prevent delays with the high volume of calls especially during the peak season. A Tax Advocate position has been filled to assist taxpayers who cannot resolve their tax issues through the call center. Also the Tax Practitioner position has been filled to assist tax professionals by providing information related to or resolving their client account issues, provide procedural guidance and timeframes, or explanation of DoTAX notices and letters.

With the current workforce of 386 employees statewide, we are trying to be more productive and effective with what we have.

Ms. Takamura asked with regards to GET and TAT, will the new system track all the exemptions being taken and the dollar amounts claimed.

Mr. Shiraishi responded that DoTAX is hoping to be able to do data collection but depends on how the forms roll out. The goal would be to collect data sooner rather than later. Earlier in the meeting, the question of how much studying can be done for GET without data for exemptions taken would be the missing piece. So, without data there would not be much to study.

Director Zielinski added that currently, the data was based on assumptions. The new system will give us the capability of providing data through analytics, the ability DoTAX has never had before.

Ms. Takamura questioned how the TRC could do a study of GET exemptions if there is no way of knowing how much is being taken.

Mr. Shiraishi said in 2015 legislative session, there was a law passed requiring that DoTAX provide data for GET exemptions as soon as possible knowing we did not have the means to provide that information. Obviously, the earliest data DoTAX could provide would possibly after the roll out; returns are submitted which should be in mid August or September and it won't be a full year. The best that could be done is to provide periods and extrapolate data since full sets won't be available.

Ms. Takamura asked if there was information for the two years when the legislature suspended the subcontractor deduction on how much more revenue was generated.

Dr. Rousslang responded that a survey was generated but was not well subscribed, and there was not enough hard data to provide statistically reliable results. DoTAX has information of GET collections for contractors.

To give the TRC an idea of Act 105, the elimination of the subcontractor deduction and other GET exemptions, the vast amounts of money was suppose to come from eliminating anti-pyramiding relief not closing loopholes. It was double taxation. The first estimate came out to

be about \$200 mil. For the Council of Revenues (COR), this was important for their budget because its borderline adjustment, change in tax law, and that along with what happens in the economy determines what the budgets going to be. COR would ask how much of that revenue can be counted on and the response would be about \$50 mil, which would be a very good guess. Even if you had the actual amounts claimed, there would be a whole bunch of problems with that because there are some exemptions that overlap like sales of tangible personal property to the federal government, scientific contracts or some types of ship repairs that move from one column to another, you eliminate one or the other which is no simple matter.

Mr. Cook asked if the Taxpayer Advocate was also going to fill the appeals function.

Mr. Shiraishi said there was some guidance on the website with a different person filling the position of Appeals Officer. Appeals cases are on a case by case basis, and are running as a pilot program before the department issues administrative rules for the program since that statute was vague.

Ms. Kaina asked if it was possible for DoTAX to provide the current TRC with a written synopsis of recommendations made from the previous TRC.

Ms. Sakata said DoTAX has compiled a summary of recommendations made from the 1983 TRC by topics, what was adopted and in what form, and was last updated in 2012.

Mr. Blouin asked to know more about the working group that was assembled and if there was a summary of their recommendations.

Ms. Sakata responded that she would send the link to the State Auditors website for that report and the official name of that group was State-County Functions Working Group, and their report was sent to the legislature in December 2015.

Ms. Takamura asked for the remaining rollouts for DoTAX.

Director Zielinski replied that the third rollout involved Corporate and Withholding Income Taxes, the fourth is individual income tax and fifth is miscellaneous taxes.

Recommendations/Observations: The magnitude of the projected shortfall by 2022 from the Fujino-Rousslang Study and PFM Group Study clearly must be confronted and resolved.

## **ELECTION OF CHAIR AND VICE CHAIR OF THE COMMISSION:**

Director Zielinski asked members of the TRC to introduce themselves and provide some of their background, objectives and goals for TRC.

Statement of John M. Knox:

"He owned a small socio-economics consulting firm. Is a journeyman economist with degrees in Planning and Social Psychology but applied those statistical to the social and economical analysis. He was the researcher and writer for the previous TRC. He has no strong personal agenda for this TRC. He's at the age of still working but winding down and wanted to find a way to use his experience in policy research to do some public service. He's a numbers geek, an analyst, and technical writer and heavily involved with groups like the Economics Association. He has a statistics streak because it feels like fun to him and looks forward to working with everyone."

Statement of Raymond Blouin:

"He has resided on Kauai since 1981. He is in the hotel and resort business where they take dysfunctional properties or destroyed properties and reposition them as in the case of the Aston Aloha Beach Hotel to the Hilton Garden Inn Kauai-Wailua Bay, which was an eight year process. He's a systems guy and likes finances, but understands that the TRC needs to look at what's happened before the current TRC and learn from those situations to gain insight on what's the right thing to do in the future. He's hopeful to see something on the agenda that says new ideas or other business to perhaps start talking about areas that have not been taxed in the future. As a systems guy, he likes to figure out how things can work more efficiently, more systemically and not any people casualties along the way."

Statement of Nalani Fujimori-Kaina:

"She's the Executive Director at the Legal Aid Society of Hawaii. She's an attorney by training. Her organization works with low income people in providing legal services and has a small tax program that does federal income tax. She doesn't have a strong tax background, but is able to read statutes. She brings the interest of the communities and non-profit communities to the table."

Statement of Vaughn Cook:

"He was born and raised in Hilo. Became a CPA after graduating with his Bachelor's Degree in Accounting and after years as a Financial Auditor decided to go back to law school. After law school, felt the calling and went back to an accounting firm. He has lived on the mainland and experienced what other Hawaii people have when they moved away. He returned after the birth of his second daughter. In total, he has been a CPA for nineteen years and an attorney for nine years. He practices tax law and other administrative laws, but it's because has taken tax cases he felt it would be good to be on the TRC. To have the opportunity to address issues like horizontal or vertical equity, fairness and feels suggestions from the House and Senate are legitimate. He wants to represent the people of Hawaii seriously and looks forward to serving with the other TRC members with varying backgrounds."

Statement of Colleen Takamura:

"She's a CPA and Manager of Niwao and Roberts, and works at the construction company Pacific Pile and Crane. She is the Vice President Maui for the Hawaii Association of Public

Accountants and the State Director for the National Society Accountants. She has worked in accounting since high school. Her father was a CPA and had his own firm. So as a child, she went out and helped, and at that time they used computer cards and her job was to do key punch. She has been associated with this field for less than forty years but more than thirty. After getting her Bachelor's and Master's Degrees in Accounting, she worked at Deloitte, Haskins and Sells. It has been interesting and has seen the changes in the tax and accounting areas. The tax laws have gotten more complicated, there are so many things you need to look at and it makes it hard for someone that doesn't have the knowledge to file a tax return. She would like to see it simplified. If taxpayers don't need to file a tax return, that's great but may not know if they filed a return they could get tax credits. She also wants to see everyone paying their fair share of taxes. We all work hard therefore we all should pay because we get services from the state and its our obligation to pay our fair share. She was glad to meet the rest of the TRC and hopes for a great two years with them. She also thanked the TRC members for allowing her to serve on the TRC."

Statement of Billy Pieper:

"He was born and raised in Hawaii. Attended Kamehameha Schools and the University of California-Los Angeles, there he played football and baseball. His father was a CPA and decided not to do that. After a few years of playing professional ball, came back home and got into investment banking with Bank of Hawaii's Client Services and Wealth Management Department, which Barclay's Bank eventually took over only managing money for large organizations. Now we sell credit cards, changing the world one card at a time. When asked to be on the TRC, he was hesitant but intrigued after he started learning more about it from former TRC members Mr. Peter Ho and Mr. Darryl Nitta. He's excited to roll up his sleeves and get into it. He agrees that a CPA needs to be Chair or Vice Chair."

Director Zielinski opened the floor for nominations and noted that the nominations do not have to be seconded. She said the nominees would be voted on in the order they were presented.

Mr. Blouin nominated Dr. Knox for Chair.

Mr. Cook nominated Ms. Takamura for Chair.

Director Zielinski asked for a vote by a show of hands. The showing of hands for Dr. Knox was 4: Dr. Knox, Mr. Blouin, Ms. Kaina and Mr. Pieper

Director Zielinski asked for a vote by a show of hands. The showing of hands for Ms. Takamura was 1: Mr. Cook

Dr. Knox was therefore elected as Chair.

Director Zielinski passed the meeting over to Chair Knox to conduct the selection for the Vice-chair.

Chair Knox then moved to the nomination of the Vice Chair.

Mr. Cook nominated Ms. Takamura for Vice Chair.

Chair Knox asked for a vote by a show of hands. The showing of hands for Ms. Takamura was all 6 members.

**EXECUTIVE MEETING TO CONSULT WITH COMMISSION'S ATTORNEY ON QUESTIONS AND ISSUES PERTAINING TO THE BOARD'S POWER, DUTIES, PRIVILEGES, IMMUNITIES AND LIABILITIES:**

Chair Knox was going to adjourn to go into Executive Session.

However, Mr. Nishiyama responded that there would be no need for the TRC to convene to Executive Session unless there were questions.

Ms. Kaina asked if Mr. Nishiyama would be the TRC's attorney.

Mr. Nishiyama responded yes.

**NEXT MEETING:**

Chair Knox said it seemed the TRC had quite a large task ahead and felt it was important to meet as soon as possible. He asked if there were any particular days that were better or worse for members to meet.

The next meeting was scheduled for Monday, July 18, 2016 at 1:30 p.m.

**ADJOURNMENT:**

The meeting was adjourned at 2:52 pm