

TAX REVIEW COMMISSION

MINUTES FOR THE FIFTEENTH MEETING OF THE
TAX REVIEW COMMISSION
HELD AT 830 PUNCHBOWL STREET
DEPARTMENT OF LABOR & INDUSTRIAL RELATIONS ROOM 310-313
IN THE CITY AND COUNTY OF HONOLULU
STATE OF HAWAII, ON TUESDAY, SEPTEMBER 12, 2017 AT 1:00 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 September 12, 2017.

Members Present: Colleen Takamura, Chair
Vaughn Cook, Vice-Chair
John Knox
Nalani Kaina
Raymond Blouin

Members Absent: Billy Pieper and Dawn Lippert

Staff: Ted Shiraishi, Seth Colby, Titin Sakata and Noe Kaawa

Others: Randy Bauer, PFM Group Consulting LLC
Christopher Wheeler, PFM Group Consulting LLC
Donald Rousslang, Department of Taxation
Ron Shiigi, Office of the Auditor
Megan Johnson, Office of the Auditor
Dane Wicker, State Ways & Means
Alika Ke-Paloma, State Ways & Means
Katarina Ruiz, CAN
Peter Fritz

CALL TO ORDER:

Chair Takamura called the meeting to order at 1:00 pm.

APPROVAL OF MINUTES:

Chair Takamura said the first order of business was the approval of the minutes from the July 27, 2017. She asked if there was any motion to amend or approve the minutes.

Commissioner Knox moved the motion to approve the minutes from July 27, 2017 and Commissioner Cook seconded the motion. The motion carried unanimously.

DISCUSSION AND ACTION REGARDING APPROVAL FOR TRAVEL EXPENSES OF TAX REVIEW COMMISSION MEMBERS ON RELATED TAX REVIEW COMMISSION BUSINESS:

Chair Takamura said since the TRC had no quorum, the discussion for approval of travel expenses of TRC members related to TRC business would be deferred to the next meeting.

PRESENTATION FROM THE PFM GROUP CONSULTING LLC ON STUDIES OF HAWAII'S TAX SYSTEM:

Mr. Bauer said joining him via Skype was Dr. Christopher Wheeler. For those involved five years ago with the 2012 TRC, Dr. Wheeler was the senior analyst at that time that developed the revenue and expenditure modeling PFM used with that commission. In the meantime he has continued to work with PFM and now was a staff economist for the New Jersey Department of Community Affairs. He did most of the work associated with the tax burden and regressivity analysis, the graph report that was provided to the TRC and would be presenting those slides related to those particular areas to be presented.

He said in terms of what he was hoping to cover was to talk about the study in general, the status in terms of the draft report in which the TRC provided a variety of useful comments and questions related to that draft report. PFM has provided the TRC with written responses and would be glad to discuss any of the aspects of them. In general, their plan was to incorporate a lot of the feedback into the final draft. In terms of the study itself, there would be discussion about the revenue structure, tax burden, and regressivity, possible revenue changes that were incorporated into the draft, some observations and recommendations and closed with next steps.

He said in terms of the study itself, there were three primary areas for study. One was tax burden from Hawaii's tax system including how much of that burden was exported to non-residents. What would be ways to make the existing tax system less regressive and the focus was on those components as opposed to doing a specific study of what was regressivity for Hawaii versus other states. And finally what were those opportunities for generating more revenue from new and existing sources of revenue and through compliance.

He said they used the 2012 study as a starting point for many of the revenue alternatives. All of the analysis that was done used updated data and information related to actual collections and, re-benchmarked all existing states and sources that were identified in the 2012 report. Those had been updated in general through fiscal year 2016 and in some instances based on the data sources used the actual data from 2015, but it was all going beyond what was provided to the 2012 TRC.

He said in terms of the activities, PFM started with detailed interviews with all members of the TRC and had meetings with internal and external stakeholders including other state departments to identify key areas of interest as it related to the tax structure and tax system for the State of Hawaii. They gathered information, some which was the result of a detailed information request they provided to the state for tax sources, budgetary data and what issues were facing taxation which was a significant process in terms of the tax modernization process. They then benchmarked other states in terms of tax structures, types of taxes, burden and moved into the high level findings that was provided the TRC in which the TRC provided a fair amount of

response to those and dialogue in writing relating to those issues that were identified, and along the way was a considerable validation and verification of data and information gathered. From that a draft report was provided in early August to the TRC and now we were having that discussion related to that draft and for the final report as outlined in the contract would be due at the end of September.

He said talking about the draft report they provided the TRC on August 7 and had a little bit of discussion and he provided an overview that included high level points when the commission met on August 10, 2017. At that time there was identification of additional materials to be provided in the final report. They had gathered the actuarial data and information related to the pension system and would include an analysis of that particular subject matter and how that would impact on revenues and expenditures in Hawaii going forward. The TRC had provided comments on September 6, 2017 and they provided a memo with responses on September 11, 2017. He said based on the feedback and discussion now, and other types of feedback whether in writing or verbal, they would work towards the final report to be delivered before the end of the month.

He said they have very much appreciated all of the feedback from the TRC that was very helpful and they understood there were particular areas the TRC was interested in and received a number of written comments from TRC members and Dr. Rousslang. They intend to incorporate the issues that were identified in those areas where it made sense to include in the final report. Several of the suggestions were excellent in terms of making sure that the chapters could stand alone as necessary so they'll have introductions and summaries, there will be an executive summary to cover major pieces of the report for the draft and final as well. He said they would also look at time together and the kinds of discussions that flow throughout the report as it related to issues of regressivity, tax burden and, importing /exporting of revenues and to make sure there was a consist discussion within the chapters.

The PFM Draft Report presentation by Randall Bauer and Dr. Christopher Wheeler

https://tax.hawaii.gov/stats/a9_2trc

Dr. Colby said he wanted to make one point and felt it was important for the TRC to know and maybe worth to mention in their report was that there were many corporate taxes that Hawaii imposes that just aren't called corporate income tax like property taxes and GET.

Mr. Bauer said when the Council of State Taxation (COST) did their analysis of business taxes paid and found that in most states, businesses were paying somewhere in the range of half, plus or minus of taxes, and it was property taxes and paid a lot of GET. From discussions just on corporate income taxes that was an area being seen around the country as an erosion of that stream of revenue source.

Commissioner Kaina said she had a question related to the BLS national data on household consumption that was brought up in the report but Hawaii uses a high percentage of our salaries and income towards rent or household sizes, was that taken into consideration here when using national data?

Dr. Wheeler said they used the BLS data for the estimate of the GET expenditures, used Daybreaks national data on household spending, and for the property tax calculation used Hawaii specific information on typical home values and tax rates taking into account local context, but the starting data for household expenditures came from that national study.

Commissioner Blouin said property taxes in the key were blue but there was no representation.

Dr. Wheeler said they used the same template to keep things consistent and would make an adjustment in the final report. Property taxes were not included in this state report because it was not levied by the state but was included in the total tax burden.

Mr. Bauer said could be removed, but it allowed for comparison between state burdens to total burden.

Commissioner Cook said for the first bracket of \$25,000, was the negative 6.2% a federal income tax credit?

Mr. Bauer said primarily because of that.

Dr. Wheeler said yes, because you're getting a credit back so it made the tax liability a negative percent.

Commissioner Cook asked was the overall tax burden in that section something around 4%, like the 10% less the 6%.

Dr. Wheeler said it gathered them all together and yes it would be within that range. The exact number would be in the report. It was pretty well compared to the higher income brackets for sure.

Chair Takamura said so the real property taxes were in there for the 25%, was that included in the rent.

Mr. Bauer said that was all taxes and if you were a homeowner, this had your real estate taxes in it as well.

Dr. Wheeler said yes, that would be the blue property tax line.

Commissioner Cook said he thought Chair Takamura was asking was for a lot of people at the lower income bracket may not be directly paying property taxes but may be paying a portion of their rent to property taxes of the landlord.

Dr. Wheeler said the \$25,000 household was assumed renters but it was not very common for that kind of household to own their own home. They included the percentage of property taxes was part rent from looking at actual assessment data of Hawaii properties in Honolulu to get a sense of what the property assessment was for rented property and what the charged rent was based on reality. For that type of household, it was based on rent and the \$50,000 and above was based on actual homeowners with real property their paying taxes on.

Commissioner Knox said he wanted to raise now, the issue he did ask about which was in the upper table, they estimated only the percentage owned by tourist and he wasn't sure whether the rest of the TRC would agree with him but thought there would be a lot of local interest in getting those other columns filled in. For PFM, they did reply that it would be a separate study. He said if other TRC members agree and not sure if the TRC could given their agenda take action on that at least for information's sake, if the TRC could get any sort of estimate from Mr. Bauer on the time and expense to do that, then perhaps see whether it was worth it.

Mr. Bauer said it was a significant undertaking and would discuss it with Dr. Wheeler. It would be beneficial for the TRC to think it through but would need to see if it were something they would have the time and available resources.

Commissioner Knox said they had a decline in that tourist column and was curious to know how that affected the overall.

Mr. Bauer said it was good to be mindful of the facts that a couple of those studies were pretty old in terms of the timeframe in which they were conducted which may be part of it.

Dr. Wheeler said their tourist share of the GET estimate was on the low end and they also calculated the same matrix back in 2004 to see if that percentage was fixed or did it stay the same over time. They noticed it had not and was much higher in the past. So if you did the exact same analysis maybe ten years in the past, the number wouldn't be the same as it was today. That may partially account for some of the variations in what some of these studies were finding because they were done at different periods of time and the estimates were based on the economic mission as of that date of the study.

Commissioner Knox said one issue was would it appear that there's just volatility and variation or was there a trend.

Mr. Bauer said there would be some change seen from the study based on methodology and just what's happening in the economy at different points of time and it was clearly the most important of those factors for non-residents, about two-thirds of what was identified as the total that was exported to non-residents.

Dr. Rousslang said just pointing out a real difference between the methodologies used here and in other studies. It seemed to be, taking for example what was called statutory incidence for the GET on tourist. In other words, the tourist pays GET and the assumption was that the incidence was on them. In fact, in the other studies they took economic incidence approach that took only two-thirds of what tourist spent was actually the burden of that was on them and the other third was on residence here. Hypothetically it could be that we bear the entire burden of the GET. It depends on supply and demand elasticity even if it was paid by tourist, the incidence of that tax could be on the local residence. So that difference in methods, in methodologies could be part of what was found here.

Mr. Bauer asked if it was expected that their number to be higher rather than lower.

Dr. Rousslang said the other studies took into account pyramiding too.

Mr. Bauer said there were a lot of things to take into account, Dr. Rousslang was right.

Chair Takamura asked how PFM got to the 19% if they didn't know what the other percentages were.

Mr. Bauer said those were calculated separately and that was what Dr. Wheeler identified as what would be the tourist related expenditures, and the methodology was within the report.

Dr. Wheeler said because they weren't doing everything all at once, doing an assessment of economic incidence and focused primarily on the tourism end of that. They used data from the Hawaii Tourism Authority (HTA) and COR to produce the estimate. This was a standalone estimate not based on a sophisticated economic analysis that often made assumptions about the incidences based on elasticity or lack of elasticity. This was done to add additional context and believed would be of great interest for this particular study and could mean a separate more intensive analysis.

Commissioner Knox asked if the chart shown was in the report and made for an interesting finding since we're getting more and more visitors all the time. That fact may be masking that which was to say we had more visitors, getting more expenditure, but more because we're getting more visitors than because of their expenditures. Therefore that was not self apparent and could get a lot of attention.

Chair Takamura said we were seeing visitor spending going up and the percent of visitor GET going down, is that what is shown?

Dr. Wheeler said right, look at the trend from 2000 to 2016, from one point to another there was a fluctuation, up and down between years. Hopefully it could be known whether there some close correlation with more years of data.

Commissioner Knox said in addition we had higher household size so that if you were to go per capita, it would probably be far more impressive than your household comparisons.

Chair Takamura asked Mr. Bauer when he said eliminate the deduction, he was talking about the itemized deductions, right?

Mr. Bauer said yes.

Commissioner Cook said for e-commerce compliance, he heard Mr. Bauer when he said the U.S. Supreme Court was likely to resolve that issue and we all welcome that, but in the meantime was there any suggestions of steps that could be taken like Colorado.

Mr. Bauer said Colorado was in a better legal ground then some of the other states that have just gone economic nexus. There's was a way for getting compliance by threatening a lot of paperwork on vendors and customers. There were several states that had gone the Colorado route, the U.S. Supreme Court declined to consider the appeal on that so that was certainly an opportunity. Straight economic nexus could be done and get on the books and start collecting but if it gets overturned constitutionally you may need to pay that money back.

Commissioner Cook asked if that could be put into the report.

Mr. Bauer said he thought it was already in there, if not, they would definitely include that.

QUESTIONS AND ANSWERS FOR THE PFM GROUP CONSULTING LLC ON THEIR DRAFT REPORT ON STUDIES OF HAWAII'S TAX SYSTEM:

Chair Takamura asked Mr. Bauer if the TRC would receive the final report by the end of September which was in a couple of weeks.

Mr. Bauer said yes. PFM could provide the TRC with the final report prior to whatever date they wanted to pick for release. It was obviously up to the TRC. He did think that they would get together as a team to lay out the pieces that they still had to do and was not going to be anything major on their part to finish what's left of the report. They could give the TRC a few days or however long they wanted to consider the report before it was made public.

Commissioner Knox said he wanted to check on a couple of things. One was the idea of perhaps an appendix with some sort of white paper discussion about impact on the economy of in general, raising taxes that were going to be an addition to the final report.

Mr. Bauer said sure, as we've had these discussions one would certainly look at some specific taxes and make some determination as to what kind effect it may have on the economy. They would provide that. For instance, there was a fair amount of discussion about what's been done around the country related to issues of cross-border competition with excise taxes and general sales taxes. There was pretty good understanding among border areas of what cliffs exist in terms of where revenues may fall off and a big difference between taxes along the border, and also some general understanding of what kind of percentage differences had to be to lead to reductions in activity. Hawaii does not have those kinds of situations or see the same cliffs at borders seen in other states. Some of these things could be talked about but we could also recognize that Hawaii was a different animal.

Commissioner Knox said what he was hoping for was something at a fairly high level as he had mentioned before when you talk to folks involved in the policy arena and some people come from the gut level feeling as soon as you raise taxes at all, you kill the golden goose and there were others that feel we could export all our taxes.

Mr. Bauer asked if he was talking about tourism or economic activity associated with business taxes.

Commissioner Knox said tourism or economic activity in general. He said he want some general principles 101.

Mr. Bauer said sure, that could probably go into the section just on tax structure in general. He said there was a robust debate as it related to the benefits of a structure that was based on primarily on consumption taxes as opposed to income taxes, and there were both sides of that and what were the arguments on both sides supporting it.

Commissioner Knox said he appreciated the responses the issues and questions he raised about making sections more standalone, and to add to that if it was possible, to package them separately. Separate PDF files with a separate cover page for each one. He thought it would increase value.

Mr. Bauer said what they could do was have one full document and then split them into chapters and then PDF them.

Dr. Colby said he was wondering if PFM when thinking of tax reform, you're not just moving one rate for one tax and that you're adjusting a number of different taxes all at once and was wondering if in their analysis and the way they were thinking about Hawaii like the carbon tax which he thought was a great idea. However, the carbon tax was usually associated with lowering another type of tax. The performance usually advocates that it was a revenue neutral tax reform and lower other types of taxes in order to compensate for that. He asked if they had given any thought as to which rates they would adjust and it didn't have to be exactly with the carbon tax but all the taxes in general.

Mr. Bauer said one of the things they did and part of why they added a couple of things was the primary focus because the way the charge was written was what were the opportunities to increase revenue. So that's looking for specific opportunities and it was addressed it that way. They did put a couple of recommendations in the report that were carryovers from the 2012 report and also suggested things that don't raise revenue but reduced revenue that help make the system less regressive. We talked about increasing the standard deduction, the refundable renters or food excise credits.

He said they were thinking a little bit more broadly about if you were going to do things that maybe somewhat regressive, the carbon tax could be structured so that as you say reduce some other taxes but he didn't think that all of them proposes revenue neutral on the carbon tax. You certainly could change some of your other tax structure to balance off some of what was seen as regressive impacts of a carbon tax, for example. They used broad language about packaging of taxes to conceptualize the idea of taking on regressivity or tax burden.

Commissioner Blouin asked has there been another state that has had success in doing something like that then maybe add reference, footnote or additional readings page where we could draw ourselves and those who were reading this report to specific states that may have adopted things. For example, Mr. Bauer talked about Arkansas and the sugar tax.

Mr. Bauer said that was years ago.

Commissioner Blouin said he understood but for those who want to read additional facts on the recommendations that were being made, maybe have a page that just includes locations in the world like the marijuana tax as an example and PFM were subject matter experts would know what states had succeeded passing additional tax legislation.

Mr. Bauer said that was a good suggestion for additional reading and was interesting as he recalled that some commission recently did a listing of all the states involved in tax reviews or reforms and it was a long list but not a lot has come out of that exercise so far.

Commissioner Blouin said out of curiosity, were there any state using the three-legged stool which included TAT as the third leg, and was there a TAT higher than 10%?

Mr. Bauer said he didn't think so and would need to check on what they were in other states. A lot of states hotel/motel tax which is what they it was called was a local tax and not often a state tax. So often it's piggybacked where it's a local tax and the state may have a share, but from what he was aware of, the states share was usually not the larger share.

He said face it, Hawaii was a unique state. As he said, if the third leg of the stool wasn't corporate income tax then there really that much of it to say that was the third leg of it where it was often enough like a severance tax. Oklahoma was a state that has a personal income tax, a sales tax and had a significant share of revenue from oil and gas extraction taxes so that was a state that had more of a three-legged stool.

Dr. Wheeler said Hawaii definitely had one of the highest lodging taxes of any state from looking at all rates. There were a few states that were higher like Connecticut with a 15% state lodging tax and the District of Columbia was at 14.5%. It was a high rate but given the amount of tourist activities in those states was doubtful it was a significant portion of their revenue compared to Hawaii.

Commissioner Cook said he also echoes the comment that PFM has done a good job and appreciates the thoughtfulness that was put into it. He appreciated the quick turnaround on the written responses and did want to highlight the possible revenue changes discussion in the slide show. We really didn't get into the reasons for us getting into those and asking for those possible revenue changes or possible revenue enhancements but really was and we referred to that in the final report that would have the unfunded liability, and that was significant.

He said it was not the job of the TRC to tell the legislature that they must raise taxes or must cut spending. It was our job to look at the tax system and to make changes that were part of good tax policy. He was just reminding himself and the rest of us that the reasons we were looking and asked PFM to look at these possible revenue changes and possible increases was because it was one way taxes could address the unfunded liability. With that said, his question on page 4, in the questions and written responses, was asking about not just revenue raising through tax increases but the flip side of that of possible spending cuts and different examples that PFM might have from other states they may have looked that flipped side of cutting spending. They did refer to a study they did for the State of Delaware and was curious if there was any and he would like to hear about benchmarking and examples from other states of state that had really tried to address unfunded liability through state pensions and healthcare through cutting spending.

Mr. Bauer said he didn't know of a state right off the top of his head that the two areas Commissioner Cook identified that that was address primarily through budget cuts but there certainly were states that have had to make balance budgets and had made cuts in various aspects of their budgets. What often happens was you had a budget that had to balance in the short term

and some of the long run implications don't necessarily get taken into consideration as you have to balance the budget.

He said he wasn't sure there were great examples out there right now of thoughtful consideration in the budgeting process and more of these commissions that had been put into place to look more broadly at things like the Delaware study. Back in 2012, they were tasked with developing a model to look at both expenditures and revenues in the long term primarily because the purpose was to determine sufficiency of the existing revenue structure. There were issues with sufficiency but has since made good progress particularly with the retiree healthcare side and there was still the issue of the long term implication of the unfunded pension system. The last actuarial report said you had sixty-six years before it would be fully funded and usually over thirty years, that would be an issue of concern.

Commissioner Cook said he didn't want to suggest as the TRC that we were a super legislature going out there looking at spending cuts but wanted to address the flip side of tax increases.

Mr. Bauer said Commissioner Cook was right and that there were two sides to that equation to budget balancing.

Commissioner Kaina said she had two questions. First, one of the biggest potential revenue sources was the carbon tax and the question she had given Hawaii's movement towards non-carbon base fuels, was that taken into consideration in terms of the regressivity analysis. She asks that question partly because what she observed in the community and what were generally seen were those investing in alternate kinds of energy sources which were usually those with higher incomes. She was just trying to understand if that was considered in that analysis because it was the centerpiece of their recommendations for increasing revenues and was half of the sixty-four million being recommended.

Mr. Bauer said no state had a carbon tax and anything being talked about was in theory of approach to tax. From their perspective and the last time when they said Hawaii needed a lot of revenue, there was only so many ways one could come up with a lot of revenue. Hawaii had two major sources of revenue and would probably be a variation from one of those two and we said you could increase the GET by half percent, and of course no one wanted to do that although that's what's being done to fund the rail project. So if you're not going to go to a broad based straight increase in one of those two major sources of revenue, from their perspective on the individual income tax, then Hawaii was about tapped out with the top rate was already at the top and kicks in a lot lower than most of the other states that had that high of a marginal top bracket. There were a lot of opportunities but you would have to start looking at it at least in terms of the carbon tax and there were other economic efficiency arguments that could be made.

He said when he looked at the data on a carbon tax and he thought it wasn't going to raise much revenue because there was a lot of involvement in solar and geothermal, and were significant sources. However, Hawaii was still using electricity made from coal and had a lot of cars. To think about the regressivity side of it, one could work a balance so that it wasn't such a big hit but there was good tax policy in that it could raise revenue, be beneficial to the economy and the environment. If that was not something that was acceptable as an alternative then you would have to look at probably the GET in terms of an increase and back in 2012 they said to combine

that and use some of the revenue generated from an increase to the GET to deal with some of the pyramiding issues which was one of their suggestions that you could try and fix what had been identified as a major problem. As Dr. Rousslang had pointed out, when you talk about the effective rate, it was like 5 percent for the GET because of all the pyramiding that existed around all kinds of economic activities. He doesn't see much from the individual income tax side so you're either looking at the excise taxes or some other form of excise tax so they settled on the carbon tax.

Dr. Wheeler said over the long term, the carbon tax might actually improve or reduce the regressivity of the tax system because over time it may encourage less reliance on fossil fuels for transportation such as personal cars and may encourage more walking, more use of public transportation and bicycling which were not subject to much taxation especially for lower income individuals. So over the long term there would be a shift in activity towards more eco-friendly forms of transportation that weren't subject to some of those taxes and there may be some benefits there.

Mr. Bauer said some of what Dr. Wheeler talked about was forward looking policy that already can exist but it would take incentives. Compressed natural gas (CNG) was a fuel that was used in a lot of fleets and Hawaii was uniquely situated to use those kinds of alternatives because we had small areas in which people were driving. Those kinds of things would probably build out industries more quickly if there were those kinds of incentives to use those types of alternatives.

Dr. Rousslang asked Mr. Bauer if they considered our tax credits, around eighteen million in 2014.

Mr. Bauer said we talked about that the last time and there didn't seem to be much appetite for that in terms of the overall dollar value associated with those specific credits. For the big credit, it was a bleeder for Hawaii and longer exists but was still paying for it.

Commissioner Kaina said she had another question around the GET. On page 76, she could not quite understand what "to see exempted income" was and wasn't sure if that was a typo or what that meant.

Mr. Bauer said he would check that.

Commissioner Blouin asked what the structure of a carbon tax would look like.

Mr. Bauer said it was usually where the carbon was generated and could be at the wholesale level and he didn't think it would be at retail.

Commissioner Cook said he enjoyed the discussion earlier about the exporting of GET and wanted to go back to Commissioner Knox's question about the PFM 2017 study which had calculated the 19 % share of GET paid by tourist. He was wondering and maybe it was a question of method, asked Dr. Wheeler if there was kind of a cheap and easy calculation on that. For him personally, he was interested in the part that analyzed tourist share and the resident's state and local government share, he was curious to know if there was a trend there.

Dr. Wheeler said with the way they did the tourist calculations, they would probably need to do brand new calculations to estimate the different shares for residents and other taxpayer classes. For the tourist, they used HTA data which they don't offer data on resident expenditures and others. So they would need to adopt a different approach to fill in the gaps there, but they just wanted to provide the TRC with the tourist estimate for the study because it was one of the more important numbers.

Mr. Bauer asked Dr. Wheeler if his recollection of reading previous studies that they developed import/export model that basically simulated the island economy was used in their report.

Dr. Wheeler said yes, those were incorporated in some of the things cited in the literature and tables.

Mr. Bauer said that was what would have to be done to generate a new analysis of that was to take the component parts of the economy and develop the model that gave you the inputs and outputs.

Dr. Wheeler said you would also need to make certain assumptions about the elasticity of demand for those good that were subject to the GET. It was not quick and easy as it sounds.

Commissioner Knox said hopefully PFM would be able to give the TRC some sense and something they could chew on.

Mr. Bauer said just in term of the time, he wasn't sure.

Commissioner Knox said he wasn't sure if legally can or should right now request or how the contractual thing works but the TRC had no lawyer here today.

Mrs. Sakata said it would be a modification to the contract.

Dr. Colby said DBEDT did an input/output model.

Chair Takamura said the DBEDT study did not include all the categories.

Mrs. Sakata said she had a comment for slide 17 and page 42 of the report, on the total tax burden. We do pay a lot of attention to the \$25,000 and under with a total tax burden is 5.3% of total income and with the next group it jumps from 5.3% to 18.5%. In general, we forget that the people that made \$25,000 to \$50,000 were the people feeling the pain and not getting much help.

Mr. Bauer said one of the comments they put into the study was they looked at other states and some of those brackets where their individual income tax liabilities were, and Hawaii was definitely get up higher faster than just about any other state they looked at.

Chair Takamura said there was also a point where the income level, you get credits and that cut off point sometimes was not how it seemed.

Mrs. Sakata said for the food credit, the cutoff for joint was at \$50,000, for single was \$30,000. The renter's credit cutoff was at \$30,000 whether it was for a family of five or two the cutoff was still at \$30,000. The focus has been on the poverty levels at \$25,000 and below.

Mr. Bauer said yes, that would depend on the size of the household could still meet the federal definition of poverty and qualify with income over the \$25,000.

Chair Takamura thanked Mr. Bauer and Dr. Wheeler for joining in the TRC meeting and their hard work on the report that was done.

WRITTEN COMMENTS ON HAWAII'S TAX STRUCTURE OR ITEMS LISTED ON THE AGENDA:

There were no written comments to the TRC.

PUBLIC COMMENTS ON HAWAII'S TAX STRUCTURE OR ITEMS LISTED ON THE AGENDA:

There were no public comments to the TRC.

NEXT MEETING:

The next meeting was scheduled for Tuesday, October 3, 2017 at 1:00 PM.

TRC tentatively scheduled meetings for: Tuesday, October 24, 2017 at 1:00 PM
 Wednesday, November 8, 2017 at 1:00 PM
 Monday, December 11, 2017 at 1:00 PM

ADJOURNMENT:

The meeting was adjourned at 3:05 PM.