



Memorandum

To: Chair Colleen Takamura, Tax Review Commission
Vice Chair Vaughn Cook, Tax Review Commission
Ray Blouin, Tax Review Commission
Nalani Kaina, Tax Review Commission
John Knox, Tax Review Commission
Dawn Lippert, Tax Review Commission
Billy Pieper, Tax Review Commission
Titin Sakata, Hawaii Department of Taxation

From: Randall Bauer, PFM

Re: Tax Studies Project Report, 4/15/2017

Project Summary

The PFM Group's study of the Hawaii tax system continues to progress according to schedule. The project team is working toward completing activities associated with Phase 2 (Information Gathering). In recent weeks, the project team has conducted additional phone interviews with key stakeholders and subject matter experts and has followed up as needed to obtain any relevant data or reports. These calls (and the earlier on-site meetings) have been very useful for understanding the State's taxation issues from a variety of stakeholder perspectives.

Additionally, the team continues to build and refine the models that will be used to analyze tax burden and regressivity on differing income cohorts. Finally, the project team has completed construction of the Excel model that will be used for assessing options and opportunities related to tax and revenue alternatives for the State. This model will be a key resource for subsequent steps in the project.

Key Activities through April 15, 2017

The project team conducted the following activities in accordance with Phase 2 of the project plan:

- Continued to work with departments to collect relevant data to populate the revenue model and conduct other analyses regarding the State's tax structure.
- Refined models to assess tax burden and regressivity.
- Completed construction of model to assess impact of revenue alternatives for use in the analytical and recommendations phases of the project; revenue projection are based on COR data as of March 13, 2017.
- Continued to schedule and hold interviews and follow-up meetings via conference call with internal and external stakeholders and subject matter experts. Most recently, the project team spoke with several key leaders of the Hawaii Tourism Authority. For a full list of interviews conducted to date, see **Appendix A**.



Planned Activities April 15-30, 2017

The project team will continue/complete the following Phase 2 activities:

- Remotely attend the Tax Review Commission meeting on April 24, 2017 to provide an update to TRC members regarding the status of the project.
- Refine the tax burden and regressivity models.
- Begin evaluating the impact of various revenue-generating initiatives on the State’s pension and retiree health care obligations.
- Continue to develop the key areas in which there are opportunities to benchmark Hawaii that could potentially impact the baseline and/or key drivers of the financial models.
- Continue to conduct best practices research on tax structure and tax policy issues that are applicable to the State of Hawaii.
- Schedule and hold interviews and follow-up meetings via conference call with internal and external stakeholders and subject matter experts. The project team is scheduled to speak with Reg Baker of the Chamber of Commerce and continues to attempt to schedule a phone meeting with Senator Jill Tokuda, Chair of the Senate Ways and Means Committee. It has also been suggested that the project team schedule a call with Damien Elefante, Deputy Director of the Department of Taxation, and that contact will be initiated as well.

Action, Support or Materials Requested

- The Project Team will continue to schedule and hold interviews and follow-up meetings via conference call. If there are internal or external stakeholders that the TRC and staff believe are warranted in addition to the names listed above and in Appendix A, please let us know so that we can arrange meetings.

Issues and Risks (Carried Over as Well as New)

This section will serve as a means to monitor project issues and risks as they occur and are resolved. There are currently no issues or risks.

Issue #	Issue	Proj. Impact (High/Med/Low)	Responsibility Assigned To	Actions & Status	Date Logged	Target Resolution Date

Project Calendar

On page 3 is an overview of the key dates as outlined in the initial project plan (dates subject to change pending modifications/guidance from the TRC):



Date(s)	Description
February 6-10	Contract Signed
February 13-17	Interviews TRC Members
February 20-24	Interviews Key Stakeholders
March 6-10	Attend TRC Meeting in Person to Discuss Project Plan and Strategy
April 24	Attend TRC Meeting Remotely
June 19-30	Present High Level Findings Remotely
July 31-August 4	Draft Report Due
July 31-August 4 ¹	Attend TRC Meeting in Person to Present Draft Report
September 4-8	Final Report Due

¹ Or on a date that aligns with TRC meeting



Appendix A

Completed Stakeholder/Subject Matter Expert Interviews as of April 15, 2017

Affiliation	Name(s)	Date
Council on Revenues	Kurt Kawafuchi Jack Suyderhoud Marilyn Niwao John Roberts	March 8, 2017 March 20, 2017 March 31, 2017 March 31, 2017
Department of Budget and Finance	Wes Machida Neal Miyahira Laurel Johnston Sharon Kotaka	March 8, 2017
Department of Business, Economic Development and Tourism	Dr. Eugene Tian Dr. Joseph Roos	March 7, 2017
Department of Taxation	Ted Shiraishi Titin Sakata Donald Rousslang Seth Colby	March 9, 2017
Hawaii Appleseed Center	Nicole Woo	March 31, 2017
Hawaii House of Representatives	Rep. Isaac Choy Rep. Scott Saiki	March 8, 2017
Hawaii Senate	Sen. J. Kalani English Sen. Ronald Kouchi	March 8, 2017 March 14, 2017
Hawaii Tax Foundation	Tom Yamachika	March 20, 2017
Hawaii Tourism Authority	George Szigeti Randy Baldemor Daniel Nahoopi Charlene Chan	April 6, 2017
Tax Review Commission	Colleen Takamura, Chair Vaughn Cook, Vice Chair Ray Blouin Nalani Kaina John Knox Dawn Lippert Billy Pieper Randy Iwase (prior TRC)	February 28, 2017 February 26, 2017 February 27, 2017 February 28, 2017 February 20, 2017 March 6, 2017 February 27, 2017 March 7, 2017