



## 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, 6/16/2017

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### Project Summary

The PFM Group's study of the Hawaii tax system continues to progress according to schedule. Upon completion of stakeholder interviews with DoTax Deputy Director Damien Elefante (date TBD) and Joshua Lee, the DoTax employee managing the rollout of the Tax System Modernization Program (scheduled for today, June 16), the team will have finalized all Phase 2 (Information Gathering) activities.

During this reporting period, the project team primarily focused on conducting Phase 3 (Evaluation) activities. The team has continued to make significant refinements to the tax burden and regressivity models. Now nearing completion, these models will be used to inform much of the work conducted as part of the studies related to 'Who Bears the Burden of Hawaii's Taxes' and 'Ways to Reform Hawaii's Taxes to make them Less Regressive.'

Additionally, based on high-level findings, the project team continues to analyze the financial impact of a list of proposed revenue initiatives and tax policy issues to analyze the revenue model. The team will continue to collaborate with DoTax to ensure all forthcoming revenue changes are captured in the model's baseline projection.

Randall Bauer, the project manager, attended the Tax Review Commission meeting on Monday, June 5, 2017. PFM provided an update to TRC members regarding the status of the project and also benefitted from hearing other updates related to the Commission's work as a whole.

Finally, the team looks forward to providing an analysis of high level findings to the Tax Review Commission at the next Commission meeting on Thursday, July 6, 2017.

### Key Activities through June 15, 2017

The project team conducted the following activities in accordance with Phase 3 of the project plan:

- Continued to explore key areas in which there are opportunities to benchmark Hawaii that could potentially impact the baseline and/or key drivers of the financial models;
- Continued to conduct best practices research on tax structure and tax policy issues that are applicable to the State of Hawaii;



- Evaluated opportunities for revenue generation through improved administration;
- Remotely provided a project update to the TRC on Monday, June 5;
- Held a project team working meeting to begin the process of developing high level findings.

**Planned Activities June 16-30, 2017**

- Complete remaining stakeholder interviews; the project team hopes to speak with Damien Elefante, Deputy Director of the Department of Taxation, as well as the staff member(s) responsible for implementation of the new online tax system;
- Continue to refine the tax burden and regressivity models and evaluate the impact of revenue initiatives on tax burden and regressivity;
- Continue to explore key areas in which there are opportunities to benchmark Hawaii that could potentially impact the baseline and/or key drivers of the financial models; and
- Continue to conduct best practices research on tax structure and tax policy issues that are applicable to the State of Hawaii;
- Develop project high level findings to be shared with the Commission at its meeting on July 6, 2017.

**Action, Support or Materials Requested**

- The project team requests assistance with scheduling an interview with Damien Elefante, Deputy Director of the Department of Taxation.

**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.

Issue #	Issue	Proj. Impact (High/Med/Low)	Responsibility Assigned To	Actions & Status	Date Logged	Target Resolution Date
1	Remaining DoTax Interview	Low	Titin Sakata	PFM requests DoTax assistance in scheduling interviews with D. Elefante	5/31/17	6/20/17

**Project Calendar**

Below 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



Date(s)	Description
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
July 6	Present High Level Findings Remotely
July 31-August 4	Draft Report Due
July 31-August 4 <sup>1</sup>	Attend TRC Meeting in Person to Present Draft Report
September 4-8	Final Report Due

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<sup>1</sup> Or on a date that aligns with TRC meeting



## Appendix A

### Completed Stakeholder/Subject Matter Expert Interviews as of June 16, 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 Chamber of Commerce	Reg Baker	April 13, 2017
Hawaii House of Representatives	Rep. Isaac Choy Rep. Scott Saiki Rep. Sylvia Luke	March 8, 2017 March 8, 2017 May 15, 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
University of Hawaii	James Mak (Retired)	April 25, 2017
University of Hawaii Board of Regents	Randy Moore	May 19, 2017
Hawaii Chamber of Commerce	Reg Baker	May 3, 2017