

TAX REVIEW COMMISSION

MINUTES OF THE EIGHTH MEETING OF THE
TAX REVIEW COMMISSION
HELD AT 830 PUNCHBOWL STREET, ROOM 221
IN THE CITY AND COUNTY OF HONOLULU
STATE OF HAWAII, ON TUESDAY, JANUARY 31, 2006

The Commissioners of the Tax Review Commission met at the Department of Taxation, Director Conference Room, in the City and County of Honolulu, State of Hawaii, on Tuesday, January 31, 2006.

Members Present: Chair Isaac Choy, Manoa Consulting Group, LLC CPA's
Vice-Chair Ronald Heller, Torkildson Katz Fonseca Moore &
Hetherington, AAL, ALC
Christopher Grandy, UH Manoa, Public Administration Program
John Roberts, Niwao & Roberts, CPA's
Carolyn Ching, Carolyn L. Ching CPA
Lon Okada, Hawaiian Electric Industries, Inc.

Staff: Tu Duc Pham, Donald Rousslang, Josephine Malama

Other: Diane Erickson, Department of Attorney General
Tom Smyth, DBEDT
Peter Fritz, Chun Krr Dodd Beaman & Wong
Titin Liem, DOTAX
Robert Hoffman, DOTAX

CALL TO ORDER

Chair Isaac Choy called the meeting to order at 10:00 a.m. with a quorum present.

APPROVAL OF JANUARY 10, 2006 MEETING MINUTES

The following corrections were made to the minutes.

- (1) Page 4, last paragraph, line 7: delete the statement made by Dr. Grandy that, "He offered to revise the implementation section so it is more readable".
- (2) Page 5, first paragraph: clarify Ms. Niwao's statement to read, "We should consider the fact that the poor are getting back benefits in the form of governmental entitlements and charitable services and subsidies, really making some of the poor middle-class."

It was moved by Mr. Heller and seconded by Mr. Okada to accept the minutes of January 10, 2006 with the corrections. The motion was carried unanimously.

DISCUSS TIMING AND PROCESS FOR EVALUATING SUGGESTIONS MADE TO THE COMMISSION REGARDING SPECIFIC PROPOSED CHANGES TO THE TAX LAW OR ADMINISTRATIVE PROCEDURES

Mr. Heller reported that due to the long list of ideas suggested to the Commission, we should think about what the timetable and process will be. One suggestion he made was to break down the list into two distinct groups – substantive tax proposals that actually make changes to the tax law versus procedural and administrative processes within the Department of Taxation. Discussion followed. Mr. Heller offered to break down the list into the two groups.

The Chair would like to inform the public of these ideas and give them an opportunity to comment and submit ideas. Mr. Heller suggested that we post the ideas on the TRC website inviting the public for their comments and suggestions. The deadline for public input would be March 31, 2006. Suggestions 18 through 39 would be posted. It was also suggested that we encourage the public to put their comments and suggestions in writing. Our email address, fax number, and mailing address will be included with the announcement. Jo Malama will receive these comments and suggestions.

Dr. Pham reported that the Rules and Taxpayer Services offices are currently reviewing the administrative and procedural changes. They should provide their comments by March 3, 2006.

Dr. Grandy asked if we could discuss the relative merits of these suggestions – perhaps ten items per meeting. The Chair responded "yes", but he was concerned that we never finish what we put on the agenda. According to the Sunshine Law, we have to list all the things we will discuss at the meeting. The public comes to the meeting to comment at that meeting, but because we do not finish, they have to come back the next meeting. We could hold a "super meeting" and stay until all ten items are covered.

Ms. Ching asked about the March meeting because that is probably the worst time for some of the Commission members due to the tax season. The Chair responded that we would need a meeting sometime in March to select the vendor(s) for the external studies. It could even be a single item agenda. He asked if it would take more than one meeting to make the selection. Mr. Roberts stated that if we follow Mr. Heller's suggestion and use the subcommittee format, it could be done in one meeting.

Mr. Smyth reported that there are two meeting requirements with notice: (1) to report on the recommendations, and (2) to vote on the recommendations. These meetings need to be at least six days apart.

Getting back to the suggestions to the Commission, the Chair would like to cover ten items per meeting, starting with the April meeting, to give the public an opportunity to comment. Mr. Roberts stated that he could stay overnight if the meetings were back to back. Mr. Smyth suggested making the agenda time sensitive. Such as, list three items for half hour discussion. Do not go over the half hour and don't start the fourth item until the next half hour. If you're ahead, take a break so you're still on schedule. The Chair expressed concern about allowing the public time to give input and making it convenient for them. Mr. Heller commented that he doesn't know if it is worse to say, "come back next month", or to say, "you may have to sit here for six hours." He suggested that we list the items on the agenda and if the public wants to come, they will come.

The Chair asked that we commit to stay at the meeting until all ten items are finished. Dr. Grandy responded that he would not be able to commit five hours at a meeting and added that it is fairly standard that Commission meetings not cover every item on the agenda. How do we group the items? One suggestion was by subject matter. Mr. Smyth stated that you could have a sign up sheet before the meeting and group them according to what they select. We do not have to follow the way the items are listed on the agenda. We can move them around the way we want. The Chair has the right to group the items according to what makes sense. According to the Chairman, a roll call vote will be taken at these meeting.

Once we receive the comments and suggestions by March 31, we will deliberate and recommend for or against. Per Mr. Heller, we may have a few that we may want to wait until we get back the external studies before we make a final decision. When do we make our decision on the suggestions? Mr. Heller suggested we decide after each ten that have been presented. Dr. Grandy stated that as long as we have the option of deferring a decision on a particular item, we should use it if we need more time to do reflection. What is a fair way to determine if we should defer a decision? Response was majority vote. Mr. Roberts shared his experience in Washington, stating that a footnote acknowledging the dissenting opinion, a couple of sentences summarizing the opposing point of view, and a contact person for confidential discussion have proven to be overwhelmingly helpful. Mr. Smyth stated that the vote is supposed to be recorded in the minutes. In the final report, you can do a minority report section to indicate where you did not agree with the overall majority.

The Chair went over the timetable:	March 1	Deadline for proposals for external studies
	March 3	Completion of tax department input on recommendations for administrative and procedural changes
	March 31	Deadline for public comments and suggestions
	April	Start public hearings with ten items per meetings

Ms. Ching asked for an updated timetable with everything on it.

For purposes of the report, the Chairman asked Dr. Rousslang to come up with a definition of "low-income person" and "poor person", and define the difference between the two. Discussion followed with input from the group such as: both categories are gauged by income, low income is 20% below federal poverty level, etc.

Chair Choy shared information about "Contemporary U.S Tax Policy", a book written by Eugene Steuerle that talks about different tax policies, and what tax commissions do and procedures they follow. He suggested they get a copy.

SET THE SCHEDULE FOR THE COMMISSION'S REPORT

Mr. Heller noted that there might be some holes in the draft report completed in August. Mr. Roberts was concerned if there was enough time between the public hearing on the draft in November and the final report due in December. The Chair reported that this is a preliminary schedule and could be adjusted.

DISCUSS WHAT TO DO ABOUT RECOMMENDATIONS OF PRIOR COMMISSIONS

After reading the report more carefully, the Chair was concerned that some of the information was not accurate and not described in detail. Dr. Grandy felt it was useful for us to think about what the purpose of this document is and to have a sense of what were the "like" things the past tax commissions have recommended. Mr. Heller felt it was more important to have the information accurate than detailed. Discussion followed on several of the recommendations. The Commission members volunteered to work on the following Tax Review Commission reports:

Chair Choy	1984 Report
Lon Okada	1989 "
Carolyn Ching	1997 "
Ron Heller	2002 "

It was agreed that if a report was too difficult for any one of them, Mr. Roberts and Dr. Grandy would be asked to help. The Chair asked Dr. Rousslang to update the report and send a copy to each of the Commission members.

ANNOUNCEMENT: AFTER APRIL, MEETINGS MAY NEED TO BE LONGER THAN THEY HAVE BEEN IN ORDER TO COMPLETE THE COMMISSION'S BUSINESS

The Chair announced that the March 15, 2006 meeting would be short. Discussion followed regarding holding meetings in the evenings and possibly on a weekend. Finding a place for these meetings posed a problem because the State buildings are locked after 4:30 p.m. The

Capitol was suggested as a possible site for the evening and weekend meeting(s). Jo Malama was asked to find out how we can schedule meetings at the Capitol.

ANNOUNCEMENT OF NEXT MEETING

The next meeting of Tax Review Commission will be held on February 28, 2006 at 10:00 a.m., in the DOTAX Director Conference Room.

ADJOURNMENT

It was moved by Mr. Roberts and seconded by Mr. Okada to adjourn the meeting at 11:20 a.m. The motion was carried unanimously.