

TAX REVIEW COMMISSION

MINUTES OF THE NINTH 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, FEBRUARY 28, 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, February 28, 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: Tom Smyth, DBEDT
Titin Liem, DOTAX
Robert Hoffman, DOTAX

CALL TO ORDER

Chair Isaac Choy called the meeting to order at 10:05 a.m. with a quorum present. He presented the following with comments.

- "State Tax Policy", another book from amazon.com. If you read the prior Tax Review Commission reports, this book has a lot of correlation with the reports. He encouraged the members to read the book.
- List of 2006 administrative and legislative tax proposals dated February 21, 2006 from the Tax Foundation of Hawaii.
- List of suggestions from the public to the 2005-2007 Tax Review Commission for TRC website posting. The Chair asked that the members help notify the different tax firms about the posting and have them submit comments.
- Revised schedule of studies and events.
- Letter from Senate President Bunda requesting that the Commission consider the past Commission recommendation to increase the standard deduction and broaden the income tax brackets. The Commission will not put out a statement prior to the report, however, if you are approached to comment as a Commissioner, the Chair asked to clearly indicate that it is your "personal comment."

APPROVAL OF JANUARY 31, 2006 MEETING MINUTES

Corrections were made to the minutes.

1. Page 3, third paragraph, line 9: replace the word "confidential" with "further".
2. Page 3, fourth paragraph: the date should read April 25.

Mr. Smyth pointed out that the minutes should be posted thirty days after the meeting. If it is in draft form, it should be noted. Dr. Grandy stated his recollection of the Sunshine Law seminar is that the minutes need to be available in thirty days, but he doesn't recall hearing it needs to be posted in thirty days. Discussion followed with Dr. Pham suggesting that we check with the Attorney General's office on this matter.

It was moved by Ms. Ching and seconded by Mr. Okada to accept the minutes of January 31, 2006 with the corrections. The motion was carried unanimously.

RESULTS OF PRE-PROPOSAL CONFERENCE

Dr. Rousslang reported that there was only one person who showed up for the pre-proposal conference for Study 2 Cost and Benefit Analysis of Selected Revenue Tax Credits. Three other people, including Dr. Fox, a Michigan firm and James Mak from UH have expressed interest in submitting a proposal(s). Dr. Pham also reported that Dr. Marcia Sakai is forming a team to submit a proposal.

CLASSIFICATION OF SUGGESTIONS INTO ADMINISTRATIVE/PROCEDURAL MATTERS AND PROPOSED CHANGES TO SUBSTANTIVE

Chairman Choy thanked Mr. Heller for his work in classifying the suggestions into administrative/procedural matters and proposed changes to substantive tax law. He asked if there were any comments. There was none. Mr. Heller commented that as we get more suggestions, they would be added to the list.

Comments from the Rules Office are due March 3, 2006. Copies of the comments will be e-mailed to the Commission members.

Dr. Grandy inquired about Senate President Bunda's letter. It was clarified that increasing the standard deduction and broadening the tax brackets are part of the internal studies. If we agree, the recommendation will be part of the report and, therefore, answer Senator Bunda's letter. Mr. Okada inquired if all the studies will be included in the report or will we sift through the results. Dr. Grandy stated that we might not want to comment on an issue depending on the result of the study. Mr. Heller added that we could have a section in the report where we state that the Commission undertook the following studies and list those that we did not comment on.

LIST AGENDA ITEMS FOR THE NEXT MEETING

The Chair went over the March schedule. March 1, deadline for proposals for external studies. March 7, subcommittees report on their recommendation of proposal(s). March 15, the Commission decides on proposals.

Agenda for March 7 meeting will be short and include the minutes of February 28, and presentation by the subcommittees on proposals for external studies.

Agenda for March 15 will also be short and include approval of minutes from March 7, and decision-making on proposals.

Both March 7 and March 15 should be short meetings as this is a busy season for the members of the Commission who are tax practitioners.

ANNOUNCE THE NEXT MEETING

The next meeting of the Tax Review Commission will be March 7, 2006 at 10:00 a.m. in the Tax Director Conference Room.

ADJOURNMENT

It was moved by Ms. Ching and seconded by Mr. Okada to adjourn the meeting at 10:30 a.m. The motion was carried unanimously.