

TAX REVIEW COMMISSION

MINUTES OF THE ELEVENTH MEETING OF THE
TAX REVIEW COMMISSION
HELD AT 830 PUNCHBOWL STREET, ROOM 221
IN THE CITY AND COUNTY OF HONOLULU
STATE OF HAWAII, ON WEDNESDAY, MARCH 15, 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 Wednesday, March 15, 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. (arrived late)

Staff: Tu Duc Pham, Donald Rousslang, Josephine Malama

Other: Lowell Kalapa, Tax Foundation of Hawaii
Peter Fritz, Chun Kerr Dodd Beaman & Wong
Titin Liem, DOTAX

CALL TO ORDER

Chairman Isaac Choy called the meeting to order at 10:05 a.m. with a quorum present.

Follow-Up Report

At this time, the Chair asked Dr. Grandy to report on the questions raised at the last Commission meeting. Dr. Grandy reported that he had a number of email exchanges with Dr. William Fox and Dr. Marcia Sakai regarding their proposals. The issues are not entirely resolved but we got far enough along where the Commission members could do some decision-making. One of the questions posed for Dr. Fox was getting a fixed price on his proposal. Dr. Fox confirmed that the price quoted was fixed. A concern Dr. Fox expressed was deciding which exemptions to do. He was open to adding Oahu county surcharge, however, some adjustments would have to be made in the scope of Study 3 and the number of exemptions he will look at. He is willing to talk to the Commission members to ensure that the exemptions we are mainly interested in are the ones he will cover. He also made it known that some of the GE exemptions are more difficult than others. Dr. Grandy felt the remaining issues were pretty much resolvable. Mr. Heller and Ms. Ching commented that they have been following the email exchanges and are satisfied, especially since Dr. Fox will include the non-profit exemption in his study.

Dr. Grandy reported that he had a number of exchanges with Dr. Sakai regarding her proposal, which was not as far along as Dr. Fox. She is entertaining the idea of doing the high technology business investment tax credit along with the motion picture and film production income tax credit. She did express some concerns over the scope of the proposal. She stated that the team is interested in doing a large survey with similar credits in other states and locations. We discussed whether this was critical to the kind of questions the Tax Review Commission is asking. Dr. Grandy was informed by Dr. Pham that the Tax Research and Planning Office (TRP) might be able to provide assistance with the survey, possibly do some of it in-house.

Unfortunately, Dr. Sakai is on travel status right now and has asked for a little more time to put together a response. Dr. Grandy felt she is willing to work with the Commission. Her concern is the different approaches involved and putting something together that is reasonable. It was noted that Dr. Sakai and Dr. Pearl Imada-Iboshi of DBEDT have worked together in the past and that Dr. Sakai has an existing relationship with the TRP staff because of her past employment with DOTAX. Dr. Grandy felt confident that Dr. Sakai would be able to come up with a reasonable proposal.

At this time, Chairman Choy asked to go back and approve the minutes of March 7, 2006 for the regular meeting and the executive session.

APPROVE MINUTES OF MARCH 7, 2006 MEETING

It was moved by Mr. Heller and seconded by Ms. Ching to approve the regular meeting minutes of March 7, 2006. The motion carried without opposition.

A correction was made to the executive session minutes of March 7, 2006 on page 3, Study 2: Ms. Ching's name should read Carolyn Ching.

It was moved by Mr. Roberts and seconded by Mr. Heller to approve the executive session minutes of March 7, 2006 as corrected. The motion carried without opposition.

DECISION-MAKING ON PROPOSALS FOR EXTERNAL STUDIES

Chairman Choy announced that the Commission members would be voting on the subcommittees' recommendations for Study 1 and Study 3 from Dr. William Fox, and Study 2 from Belt Collins and Dr. Marcia Sakai. The Chair asked if we have to vote on one study at a time. Mr. Heller responded that since Study 1 and Study 3 were combined, we should vote the way it is presented. The Chair announced that a call vote would be taken for each study. Ms. Suzanne Eghan suggested the subcommittees provide reasons for their recommendations.

Chairman Choy called for the vote for Study 1 and Study 3.

Mr. Heller moved to accept the recommendation of Dr. William Fox's proposal for Study 1 and Study 3. A call vote was taken in favor of Dr. Fox. The motion carried without opposition.

Ronald Heller	Favor
Christopher Grandy	Favor
John Roberts	Favor
Carolyn Ching	Favor
Isaac Choy	Favor
Lon Okada	Absent

Dr. William Fox's proposal was recommended for Study 1 and Study 3 for the following reasons.

- Only bidder
- Highly qualified
- Performed work for past Tax Review Commission
- Reasonable overall price for the combined task of Study 1 and Study 3
- Work performed for the State of Hawaii and other states

Chairman Choy called for the vote for Study 2.

Dr. Grandy moved to accept the recommendation of Dr. Marcia Sakai's proposal for Study 2. A call vote was taken in favor of Dr. Sakai. The motion carried with one abstain vote from Mr. Heller.

Christopher Grandy	Favor, subject to successful conclusion of our conversation
Carolyn Ching	Favor, subject to successful conclusion of our conversation
John Roberts	Favor, subject to successful conclusion of our conversation
Isaac Choy	Favor, subject to successful conclusion of our conversation
Ronald Heller	Abstain
Lon Okada	Absent

Mr. Roberts reported that the subcommittee has a memorandum to the Tax Review Commission stating the reasons for their recommendation of Dr. Marcia Sakai.

ADJOURNMENT

The next Tax Review Commission meeting will be on April 25, 2006 at 10:00 a.m.

It was moved by Mr. Heller and seconded by Mr. Roberts to adjourn the meeting at 11:00 a.m. The motion was carried unanimously.