TAX REVIEW COMMISSION

MINUTES OF THE SEVENTH MEETING OF THE
TAX REVIEW COMMISSION
HELD AT 250 S. HOTEL STREET
OFFICE OF AGING CONFERENCE ROOM
NO. 1 CAPITOL DISTRICT BUILDING
(FKA HEMMETER CENTER)
FOURTH FLOOR, ROOM 410
IN THE CITY & COUNTY OF HONOLULU
STATE OF HAWAII, ON THURSDAY, JANUARY 12, 2012 AT 8:30 A.M.

The members of the Tax Review Commission (TRC) met at the Office of Aging Conference Room, in the City and County of Honolulu, State of Hawaii, on Thursday, January 12, 2012.

Members Present:	Randall Y. Iwase, Chair Mitchell A. Imanaka, Vice-Chair Roy K. Amemiya, Jr. Peter S. Ho Michael T. McEnerney Darryl K. Nitta Gregg M. Taketa
Staff:	Donald Rousslang, Johnnel Nakamura, Titin Sakata and Sondra Kaawa
Others:	Randall Nishiyama, Department of the Attorney General Mallory Fujitani, Department of Taxation Hamid Jahanmir, Department of Taxation Bart Dame, Democratic Party Legislative Cte Jessie Faige, Democratic Party Legislative Cte Ken Takenaka, GCA Tom Smyth, Chamber of Commerce Peter Fritz

CALL TO ORDER

TRC Chair Iwase called the meeting to order at 8:30 a.m.

APPROVE MINUTES FROM PREVIOUS MEETING

Chair Iwase addressed the first item on the agenda, the approval of minutes for the meeting of December 22, 2011. He said that the minutes for the regular meeting were 8 pages long, but that the minutes for the executive session had not been completed yet. He asked if there were any objections to having the TRC defer the approval of both the regular and executive session minutes for the meeting of December 22, 2011 until the next scheduled meeting. There were no objections.

COMMUNICATION TO THE COMMISSION

None

DISCUSSION OF ISSUES TO CONSIDER

Chair Iwase said a solicitation for professional services was sent out, and that a copy of the solicitation was sent to the members. The solicitation focused on two areas:

1. An analysis of whether the current tax system will provide sufficient revenues to meet near and long term future needs for the 21st Century.

2. Alternate tax structures that could improve Hawaii's ability to generate sufficient revenues.

He said the financing and staff required the TRC to focus their efforts and caused them to narrow the scope of the contract. He said the 1989 TRC report had the support of two researchers and two economists, Dr. James Mak and Dr. Marcia Sakai. He said he was told, but needed to confirm, that the 1989 TRC had a budget of $450,000, or about $875,000 in today’s money.

He said the due date for vendors to submit their bids was January 20, 2012 and that the vendors did not necessary have to bid on both topics. He said he was told that the estimated cost to perform the studies in the first solicitation ranged from $200,000 to $500,000. He said that one individual who has done studies for the TRC in the past and did reports on the General Excise Tax (GET) and Internet Sales, has expressed interest in updating those reports.

Chair Iwase asked for thoughts on the two topics listed above in two scenarios. The first scenario is the TRC receives one or more responses. The second scenario is the TRC receives no responses.

Mr. Nitta said that the second topic, “Alternate tax structures that could improve Hawaii's ability to generate sufficient revenues,” seemed to be the core of the study. From the recommendations on alternative tax structures, the TRC could adopt policies to recommend to the Legislature. He said he believes the first topic identifies the problem and is needed in order to develop recommended the solutions, which are the second topic. He suggested that the Department of Taxation (Department) assist with the first topic to show that under the current system, the tax revenues will not meet the needs of the 21st century.

Chair Iwase asked Dr. Rousslang to explain what kind of assistance the Department could provide.

Dr. Rousslang gave the following report on work products that the Department promised to do for the TRC

I. The Study on Tax Adequacy

Scope of the Study

The study forecasts the demand and supply of General Fund revenues through 2022, it examines the stability of General Fund tax collections, and it tries to measure the effects of e-commerce on GET collections.

Why look just at the General Fund?

The General Fund is only part of the State's budget, but it gets the bulk of the State's tax collections (from 1999 through 2011, it got on average 86% of these collections) and it is the main source for funding the general operations of government.

Forecasting the supply of General Fund revenues

The forecasts for the supply of General Fund tax revenues are from the Council on Revenues (Council). Three scenarios are used. One is the Council's official forecast. High and low forecasts are made based on economic forecasts of the Council members, translated into tax collections using the Department of Taxation's econometric model. The forecasts are extended through 2022 by assuming the growth is the same after 2018. Forecasts for the supply of General Fund non-tax revenues are taken from the Department of Budget and Finance.

Forecasting the demand for General Fund revenues

The demand for General Fund revenues is divided into four components:

1) General operations of government,
2) Pensions of retired State workers (the ERS),
3) Health care benefits for retired State workers (the EUTF and VEBA plans), and
4) Payments for Medicaid.

Spending needs for the general operations of government are assumed to grow at the same rate as total personal income. Future needs of the ERS, EUTF and VEBA plans are forecast from actuarial studies done for the plans' trustees. Future Medicaid costs are forecast using historic trends. Different scenarios are used to provide a range of forecasts for each component.

Stability of General Fund Tax Collections

The goal is to measure how collections from the various taxes would react automatically to changes in the economy if there were no changes in tax laws. The first chore was to measure the historic constant-law collections for each tax. Then, statistical tests were performed to see how the constant law collections have varied. Stability of collections was gauged over the years 1972-2011, over the years in which the economy did poorly (real growth in total personal income was less than 1%), and during the recent severe recession.

The Effects of E-Commerce on GET Collections

Regression equations were used to try to pick up the effect of e-commerce on GET collections. The regressions include the economic variables that predict GET collections, plus a variable for e-commerce (the share of total retail purchases made electronically, provided by the U.S. Commerce Department).

Status

A draft of the study is done.

II. The Study on Tax Expenditures in Hawaii

The study looks at special tax breaks in the General Excise Tax and in Hawaii's net income taxes. It proposes ways to define the special tax breaks and provides estimates for their revenue costs. The study is a counterpart to the GET exemptions study in the Report of the 2005-2007 TRC.

Status

A draft of the study is done.

III. Update of Appendix I in the Report of the 2005-2007 TRC

Status

We have not yet updated the Appendix to show recent legislative changes that might address recommendations of previous Commissions.

IV. Revenue Estimate for Eliminating the Individual Income Tax for Taxpayers Who Are Below the Federal Poverty Level

Status

We have some revenue estimates, but we want to check them before we give them to you.

Chair Iwase thanked Dr. Rousslang and asked if there were any questions

Mr. Ho asked when the TRC would receive the final draft.

Dr. Rousslang responded that it is legislative season and the Department is very short-staffed, but he estimated that a final draft could be ready in less than a month. He clarified that "final draft" meant one more polished then the current draft.

Chair Iwase asked if there were any other questions.

Mr. Amemiya asked Dr. Rousslang if he provided information about the portions of the general fund revenues supplied by the different types of taxes, or whether he just provided a lump sum of the tax collections.

Dr. Rousslang said the way the general fund tax revenues are constructed is the Council gives an official forecast of the total general fund revenues that the Department breaks down into the different tax types. He said the Department has regression equations to estimate revenue for each type of tax based on the economic forecasts on total personal income, visitor expenditures, construction, and other economic indicators provided by the members of the Council on Revenues. He said that based on those indicators, regression equations are used to predict the collection of each tax -- the GET, individual income tax, corporate income tax, public service company tax, insurance premiums tax, taxes on tobacco and liquor, miscellaneous taxes, the conveyance tax -- and then the individual parts were added up.

Chair Iwase asked if there were any other questions.

Mr. McEnerney asked about the assumptions used to forecast growth for E-commerce. Specifically, he asked whether the current U.S. Department of Commerce's growth for E-commerce was assumed to remain constant.

Dr. Rousslang said that he was not engaged in forecasting E-Commerce, but instead was just trying to predict the effect that is has had to date. He said the U.S. Department of Commerce data show E-Commerce sales as a percent of total retail sales, where E-Commerce sales includes sales where the order is placed over the Internet and terms are negotiated over the Internet, although payment is not necessarily made over the Internet.

Mr. McEnerney asked if Dr. Rousslang's projection of revenues into the future will account for an erosion of sales tax as a result of increases in E-Commerce over the next 15 years, or for the projection period.

Dr.Rousslang said that to the extent that the effects of E-commerce are captured in the regression equation explaining GET, they would be captured in the forecasts.

Mr. Taketa said that recently the Internal Revenue Service (IRS) estimated that the tax gap was about $450 billion as of 2006. He asked if there is a way to estimate what the tax gap is for Hawaii.

Dr. Rousslang said there were ways to estimate it, but that the Department has not had the resources to do so.

Mr. Taketa asked if there is a way for the IRS to break its estimate down by state.

Dr. Rousslang said he was not sure. He said the Department has estimated a rough tax gap by taking the IRS' net income tax and corporate income tax gaps and assuming the ratio to income was similar in Hawaii to that in the rest of the nation. He pointed out that for the GET, nothing the IRS has done would help much.

Mr. Ho asked for a definition of tax gap.

Mr. Taketa replied "uncollected, unreported revenue that potentially could be collected if there were full compliance". At the national level, the tax gap is $450 billion. He said he was curious about it, because the IRS is saying the figure has been growing, and he wondered what the situation for Hawaii was, and if the tax gap in Hawaii was growing as well.

Dr. Rousslang said that from his prior life at the U.S. Treasury, he knew that the tax gap estimates were not exact by any means.

Chair Iwase followed up on Mr. McEnerney's question on E-Commerce, asking about E-Commerce sales in Hawaii.

Dr. Rousslang said there were no data on the issue. He said we only have Dr. Fox's study, which was a fifty state study.

Mr. Ho asked to go back to Mr. McEnerney's question on the forward projection that takes into account the slope of growth of E-Commerce sales as a percentage of overall retail sales.

Dr. Rousslang said that everything that affects GET collections should be reflected in the regression equations. There is an auto-regressive term to capture the effects of variables that have been left out. For example, if growth of E-commerce is causing GET to grow more slowly than total personal income, the regression should take account of that.

Mr. Ho asked about the issue of changing demographics and asked how comfortable Dr. Rousslang was that the actuarial studies done for the Employees' Retirement System (ERS) took into account the demographic issue. He also asked Dr. Rousslang for his own assessment of tax revenue moving forward through 2022, and whether his study took account of the change in population demographics.

Mr. Rousslang said that was really tough. The issue of demographic change would have to be incorporated in the Council's economic variables. As for the reports to the ERS' trustees, he said they have data on the age distribution, and so forth for the healthcare and the pension plans, so he thought they handled the issue of changing demographics fairly well. He said forecasting is a really tough area, though.

Chair Iwase asked Dr. Rousslang whether his study addressed the issue of the aging population and how much per year will be drained from the State and how much is needed to cover pension and the health fund.

Mr. Rousslang said yes.

Chair Iwase asked if Dr. Rousslang would be making recommendations on how the shortfall might be addressed.

Dr. Rousslang said that such recommendations were beyond the scope of his study. He said the Department would provide the TRC with the best information they could, but would leave the recommendations to the TRC.

Chair Iwase asked if Dr. Rousslang was looking at or assuming that the aging population in Hawaii would become a major cost driver heading into 2022.

Dr. Rousslang said that AEON Hewitt had projected healthcare costs for retired stateworkers through 2024, year by year.

Mr. McEnerney said that an increasing amount of the Council on Revenues projections on income was going to be personal income that would not be taxed by the State's income tax, because the State does not tax certain pension income. He asked Dr. Rousslang if the Council's projections reflected that decline in the tax base.

Dr. Rousslang said he believes that (defined-benefit) pensions exempt from Hawaii income tax would be shrinking. He said that as far as changes in total personal income, he thought the transfer payments were a bigger piece right now, and that they might have thrown the regressions off quite a bit in recent years.

Chair Iwase asked what transfer payments are.

Dr. Rousslang said it included things like Medicaid and food stamps.

Mr. McEnerney clarified that the pensions he was referring to included not just the State systems, but also the federal systems and social security. He said it was a growing component of revenue, because he sees it in his own practices as his clients age. The clients' total Federal adjusted gross income (AGI) maybe the same as Hawaii AGI, but their taxable state income declines significantly due to the transition from earned income to retirement income.

Dr. Rousslang agreed the growth of social security payments would probably be important and that he thought work was needed to improve their regressions to account for this effect.

Mr. McEnerney asked if, within the Department, there was a study that shows the difference between the Federal AGI, line 1 of the N-11 and Hawaii AGI that carves out pensions and social security.

Dr. Rousslang said they have those data, but that he thought the latest data were for tax year 2006, because the Department lost all its research statisticians and has not been able to get the Individual Income Tax studies done since then.

Mr. McEnerney asked if 2006 was the latest data on pensions.

Dr. Rousslang said he thought it was the most recent data on pensions taxed federally but not taxed by the state.

Ms. Sakata said the Department has some data for tax year 2009, but they were only from the N-11 returns (which are filed by residents filing federal returns).

Mr. Taketa asked that the data be distributed to the TRC.

Dr. Rousslang noted that data would not be up to the Department's reporting standards, because it was not edited and incomplete.

Mr. McEnerney asked if the TRC could get the data.

Ms. Sakata said that the data are as reported by taxpayers. No verification or edits were performed.

Mr. Taketa said he requested that information two weeks ago.

Chair Iwase asked Dr. Rousslang whether he knew, other than state and county retirement pensions, what other pensions are not taxed by the State of Hawaii.

Dr. Rousslang said the Department does not have data by type of pension plan.

Mr. McEnerney said that exempt pensions would include federal pensions of any kind, social security, and any large company pensions that are not a profit sharing, but a defined benefit type plan. He said that the big ones were federal government pensions, because there were a lot of retired military personnel in Hawaii, and all social security, which includes anybody who has earned social security and is now collecting benefits. He said it excludes IRAs.

Mr. Taketa added defined contributions.

Chair Iwase thanked Dr. Rousslang.

Chair Iwase asked if there were any other thoughts about the TRC’s solicitation.

Mr. Taketa felt the TRC should still proceed with what was discussed at the last meeting, which was to proceed with the updates of the previous studies, separate from the major study.

Chair Iwase said the TRC would proceed with updates on the studies of E-Commerce and GET. The Department would provide a report on whether we should continue to tax those below the poverty line. It will also update Appendix I, which lists recommendations of prior TRC's including what has and has not been acted upon. In addition, as mentioned by Dr. Rousslang earlier, a study on tax adequacy.

Mr. Taketa said he believed that the TRC should also updates Dr. Andrew Mason's study on pensions and Dr. Walter Miklius' study on the Distribution of State and Local Tax Burden by Income Class ("who pays the tax?").

Chair Iwase said the previous two TRCs already made recommendations on those topics. He was not sure what more needed to be studied, but he said there was a need to read their reports, analysis and the rationale, and to decide whether the present TRC agreed with them or not. He said he was not sure how much money the TRC would have, and that it would depend on the costs of the updates of the studies on E-Commerce and the GET. He estimated the costs of those studies to be $20,000 to $30,000. With $150,000 for the major study, the remainder would be needed for operational costs. The TRC needs to have reasonable expectations to be able to cover the costs of what they want.

Mr. Taketa said he felt Dr. Miklius' study needed to be updated because it was done in 1989.

Dr. Rousslang said the study was updated for the report of the 2005-2007 TRC.

Mr. Ho said he looked forward to seeing the report that was just described. He said he is concerned about the demographic and future trends that were expressed at the table. He said there is a strong possibility that the demographic issues would not be embedded in the report that was forthcoming, not as a fault of the report, but simply as a function of the inputs that would been needed for the projection.

Chair Iwase said if someone responds to the solicitation, the TRC should asked that the vendor address demographic issues in their study.

Mr. Amemiya said it was mentioned that the Department was doing a study on taxing people below the poverty levels. He said the report that was provided to the TRC a couple of months ago was alarming in that that the amount of tax being collected from those with income below poverty level was pretty significant. He said he would like to understand how those taxes were being collected. He asked how the Department defines a household. He said, for example, when his son graduated from college, he started his first job and lived at home and had little income, but he was not poor. He asked if his son would be included in the number of people with income below poverty level.

Mr. Rousslang responded the data are based on the tax filings. If his son filed as an individual, not a dependent, under the federal standard, he would fall under the federally defined poverty level, and he would be captured in the data.

Mr. Amemiya asked how to distinguish single mothers with three kids and little income from someone like his two kids who had little income, but lived at home, because they were just out of college.

Mr. Rousslang said there was also a problem with some people who had no taxable income and no federal income, but had thousands of dollars in itemized deductions. He said he didn't think there was a simple way to distinguish the "true" poor from those who only appeared to be poor "on paper."

Ms. Sakata said the State individual income tax forms started with the federal AGI. If a taxpayer has a business losses or capital losses, it reduced their income, sometimes to a negative figure. The federal poverty level for a family of two is $16,930. For a family with a lot of business losses, the federal AGI could be $5,000, which would be considered under the poverty level. The family may not be poor, but for the year with losses, they have reported income below the poverty level.

Mr. Amemiya said that there needs to be an understanding of what is in the report, because it could affect the decision.

Chair Iwase asked the Department for a response on how to improve compliance and enforcement.

Ms. Sakata said that the Department is working on the response.

Chair Iwase asked when the TRC could get a response.

Ms. Sakata said the Tax Director is working on it, and she would follow up with him.

Mr. Nitta commented that when Kurt Kawafuchi was the Director, there was a big voluntary initiative. He asked how successful it was.

Ms. Sakata asked if Mr. Nitta was referring to the Fresh Start Program, similar to an amnesty program. Hearing yes, Mr. Sakata said it brought in about $14 million in a short period.

Mr. Nitta asked if it was considered a successful program or if it fell short of expectations.

Ms. Sakata said the revenues collected exceeded the Department's expectations.

Mr. Nitta said the amnesty could be one way to help improve collections and get monies that the Department was not aware of.

Mr. Taketa suggested that because the legislative session starts in a week, the TRC should come up with a preliminary list of things to recommend to the legislators now, instead of waiting for next year. He recommended asking for more support for the Department of Taxation in the form of additional funding and staffing to ensure that enough revenues are generated for the State. He said that HB 1906, 2010 legislative session, should be resurrected. HB 1906 requires tax clearance for all professional and vocational licensees. The Department has an automated tax clearance now; hence, it would be much more feasible to implement HB 1906 without having much human involvement. He thought HB 1906 would be a way to ensure higher compliance levels. He also suggested commenting on the repeal of Act 105, SLH 2011, which suspended the subcontractors' deduction and sublease deduction, or at least recommending that Act 105 not be extended beyond its sunset date of June 30, 2013. He concluded by stating that the TRC should be making more recommendation to the legislature.

Chair Iwase said he had no problem with Mr. Taketa's recommendation. However, before he asked for a vote, he needed to know what the TRC was voting on. He needed to know more about Act 105, SLH 2011 and HB 1906, SLH 2010. With respect to recommendations about the Tax Department, he wanted to have more information and discussion with the Department. He acknowledged that the TRC received two correspondences from the construction community and he hoped that Dr. Fox's study would provide more analysis and recommendations on the taxation of business to business transactions. He said that the previous TRC Chair, a member of the legislature, voted against his own Commission's recommendations. He asked if the TRC would inform Representative Choy that he was wrong. Chair Iwase personally didn't think he would do so.

Mr. Taketa said that his intent was not to have a comprehensive list, but at least to have items that were obvious to recommend.

Chair Iwase said the TRC should not be involved with the day-to-day issues confronting the legislature. He said it was not the TRC's job. He said he had the opportunity to look at the proceedings of the Constitutional Convention. The TRC was created because the Legislature was mainly involved with the day to day issues and did not perform a comprehensive, systematic study of the tax system. He said the committee report said "Taxation is one of the most powerful tools available to government to bring about social and economic change," but he noted that notion violates the basic principles of the tax policy. He also quoted the report as saying "The legislature in recent years has not had time to address tax policy as oppose to day to day work in bringing conformance to federal tax laws. This would remedy the situation." He said the report said that there has been no systematic review of the tax structure for more than two decades, that the last major restructuring of tax took place in 1965, and that that change had the objective of producing additional revenues rather than achieving economic and social objectives. He said that the 1989 commission reported that they were not only going to review tax revenues and reform, but that instead they were reviewing the whole system, and made recommendations based upon their best analysis regardless of the impact on revenue. The 1989 TRC added that the question of "How much tax should be applied?" is a legislative prerogative.

Chair Iwase said that was also his view of what the TRC should do. He said the TRC should perform a systematic evaluation. He acknowledged that many of them were frustrated by the lack of resources. The 1989 TRC pointed out that all members of the first TRC resigned because they were not funded. Chair was not suggesting that all of them resign because they only have $200,000, but he asked them to have a broad point of view, looking at how the tree is growing and not just the branches. He reminded the members that the legislators are the policy makers. The TRC simply makes recommendations, and they are not lobbyists. He asked the members to put more thought into what they would recommend to the Legislature. The issues of pensions and taxation of pensions were included in the prior two TRCs' reports. Both Commissions showed reluctance and concerns about the issues.

Mr. Taketa said he understood that the Legislators had to come up with a balanced budget, but he felt that the TRC should be the voice of the public, and provide the Legislators with feedback.

Chair Iwase referred back to the previous Commissions' reports. He said the present TRC has not taken a position contrary to the previous TRCs' positions, and he did not think that there is enough data to disagree. He said the TRC would update Dr. Fox's study on GET exemptions. Upon completion of the update, if the TRC wanted to take a position, they would have more grounds for doing so.

Mr. McEnerney said that one of the first things he did was to circulate materials on tax policy and principles of tax policy. He said that while the TRC discussed them, they never adopted an agreement of what the basic tax principles and policies should be. He said if the TRC is looking at issues from 30,000 feet, he thought it would be important to take a position on the basic tax principles and policies.

Chair Iwase suggested that be a topic for the discussion at the next TRC meeting -- a review of basic tax principles and policies of the prior TRCs. He said that the 1989 TRC pointed out that there are going to be conflicts between the various principles, like revenue versus fairness, that need to be reconciled.

Mr. McEnerney said to use the example of revenue versus fairness, fairness implies how you should spread the revenue among the taxing group; hence, he did not see how they conflicted at all. If somebody said we need to raise revenue and the fairness doctrine states the fair way to raise that revenue; then he saw no conflict. Mr. McEnerney said he had read the previous studies and one of the first things each study did was to reiterate the policies. He said he didn't think the present TRC has taken the first step yet.

Chair Iwase did not see anything to cause the TRC to change the way it has been operating. He said he thought the policies are guidelines, not hard rules.

Mr. McEnerney suggested that since by January 20, 2012, Chair Iwase would know if no one has submitted a proposal, he would like to keep the option of having a meeting earlier than February 23, 2012.

Chair Iwase asked the members to place a hold on their calendar for January 31, 2012, in case there were no bidders for the TRC's solicitations.

Mr. Nitta suggested the meeting on February 23, 2012 be kept, regardless of whether or not there is a meeting on January 31, 2012. He said that the homework of the TRC would be to review the last three reports of the previous TRCs.

Chair Iwase said the review should at least cover the basic tax principles.

Mr. Nitta also added that each member should come up with their top 5 issues or areas on tax policy that they would want included in the vendor's study.

Chair Iwase said the list of items for study may be in addition to or separate from the major study, because some topics may not be covered or there may not be enough money. On some topics, the TRC may have to go by what was covered by the previous TRC, and take a position on it.

Mr. Taketa said in reference to the update on the study of the Streamline Sales Tax, the TRC should direct the vendor to SB 1678 and the Governor's Message (GM) 835 which outlines reasons why Governor Lingle vetoed the bill, so that the vendor could address those concerns.

Chair Iwase said there were some legal questions raised by Governor Lingle. Rather than having the vendor addressing those questions, he informed Mr. Nishiyama that the TRC would probably ask about the effects of the Quill vs. North Dakota. He asked Mr. Nishiyama if he was familiar with SB 1678.

Ms. Nakamura responded it was the "Amazon bill".

Chair Iwase asked if nexus in Hawaii is required.

Ms. Nakamura said that she was not sure what this particular bill was about. Although there was an Amazon-type bill, if you had an affiliate within the State, you could click through and get to Amazon, and it would give Amazon nexus. This bill was vetoed by the Governor.

Chair Iwase said the Governor must have felt that that was not "substantial" nexus.

Mr. Taketa felt that the "Amazon nexus" was not the issue and that it had to do with entering into an agreement with Amazon and having the State gives up control over the tax structure in order to comply with the terms of the agreement, giving amnesty to Amazon and paying them a fee to collect GET. Those were the objections to GM 835.

Mrs. Nakamura said those were some of the objections to the Streamline Sales Tax.

Chair Iwase said that the TRC could discuss the issue; however, the decision was for the policy makers, not the TRC. The question here is should the TRC pursue taxation of E-Commerce, and if so, how?

Mr. Taketa said he believed that the TRC should make the consultant aware of these legislative attempts that failed or were vetoed, because we did not want him to come up with something that would be stonewalled again.

Chair Iwase said the TRC would still make a recommendation if they think that was the right recommendation. He said that whether it would be vetoed or not was for the policy makers to decide.

NEXT MEETING

Chair Iwase tentatively scheduled a meeting for Tuesday, January 31, 2012 at 9:00 a.m. He set the next meeting on Thursday, February 23, 2012 at 9:00 a.m.

ADJOURNMENT

The meeting was adjourned at 9:38 a.m.