

Tax Review Commission

Meeting Minutes, May 19, 2021

Virtual Zoom Meeting
Due to Covid-19 Stay at Home Ordinance
Meeting was held virtually
Video [Recording](#)

Wednesday, May 19, 2021
12:00 p.m.

PRESENT

Council Members:

Elizabeth Giesting (Chair), Alton Miyashiro (Vice Chair), Murray Clay,
Sayle Hirashima, Scott Teruya, Winston Wong

Staff Members:

Department of Taxation (DOTAX): Director Isaac Choy, Seth Colby, Ted
Shiraishi, Yvonne Chow, Baybars Karacaovali, Dongliang Wu, Roderick Tuliao

CALL TO ORDER

Chair called the meeting to order at 12:00 p.m. A quorum was present.

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|---------------------------|----------------|
| Elizabeth Giesting | Present |
| Alton Miyashiro | Present |
| Murray Clay | Present |
| Sayle Hirashima | Present |
| Scott Teruya | Present |
| Winston Wong | Present |

COMMUNICATIONS TO THE COMMISSION AND PUBLIC COMMENT

Chair Giesting asked if there was any communication to the Tax Review Commission (TRC). There were two comments 1. Public Testimony that was submitted by Thomas Yamachika of the Tax Foundation of Hawaii which was acknowledged and accepted by the Commission. 2. Public Comment from Director Isaac Choy who informed the Commission of approved funding for the Commission in the amount of \$250,000.

Mr. Shiraishi clarified the appropriation was mainly for outside consultant that perform studies at the Commission's request and also in the past it has been used for administrative costs.

MINUTES OF THE MEETING OF APRIL 15, 2021

Chair Giesting called for a motion to approve the minutes.

It was moved by Mr. Teruya and seconded by Vice Chair Miyashiro that the minutes of the April 15th meeting be accepted. The Chair called for the vote, and the motion passed with the following votes:

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|--------------------|-----|
| Elizabeth Giesting | Yes |
| Alton Miyashiro | Yes |
| Murray Clay | Yes |
| Sayle Hirashima | Yes |
| Winston Wong | Yes |
| Scott Teruya | Yes |

REPORT COUNCILMEMBERS COMMUNICATION WITH STAKEHOLDERS

Chair Giesting reported the groups with whom the Commissioners have discussed TRC business. No communication with stakeholders was reported.

PRESENTATION ON TAX BURDEN BY INCOME GROUP OF STATE AND FEDERAL TAXES BY DR. SETH COLBY, TAX RESEARCH AND PLANNING OFFICER

Dr. Colby made a presentation Tax Burden by Income Group of State and Federal Taxes. [The presentation is posted on the TRC website.]

PRESENTATION ON DOTAX COMPLIANCE OPERATIONS BY ISAAC CHOY DIRECTOR FOR STATE OF HAWII DEPARTMENT OF TAXATION

Director Choy spoke on DOTAX Compliance Operations and highlighted three main sections.

1. Taxpayer services section which provides means for filing taxes, paying taxes, and answering of phones.
2. Audit division which consists of both Field Audit and Office Audit along with a Collections division whose goal is to try and help or encourage taxpayers to voluntarily comply

3. Taxpayer services department which has the following office's Director's, Tax Research & Planning, Rules, Human Resources, and Computer Services in Tax Support Division.

QUESTION AND ANSWER

Mr. Teruya started off with asking if there was anything that a county can do to help the Department of Taxation. An example was given with regards to information a county may be able to provide such as short-term rental lists and if so, would the compliance section be able to use that information in a favorable way.

Mr. Shiraishi responded by answering in two parts. 1. What information can DOTAX receive. DOTAX can receive any information offered by the counties. 2. What information can DOTAX share with the counties. DOTAX can only share information about vacation rentals if it is related to the administration of taxes.

Mr. Hirashima then asked about President Biden's \$80 Billion proposal to provide a funding source for the IRS and if DOTAX has any initiatives that DOTAX would like to pursue but don't have the budget to enforce.

Director Choy responded with regards to DOTAX budget and said the Department is currently understaffed. It must fill its current positions before it can take on new responsibilities.

Mr. Clay followed up by asking if DOTAX has the ability to provide specific numbers like return on investment to the Legislature in order to obtain funding.

Director Choy stated that the ROI calculations on the Department has been shared with DOTAX's budget submittal.

Mr. Shiraishi added that per union rules quotas are not allowed, however DOTAX can talk about general goals and past performances. Mr. Shiraishi also stated how Legislative budgeting works. The expected revenues is set by the Council on Revenues, so ROI metrics do not fit into budgetary decisions unless they are considered by the Council on Revenues.

Mr. Teruya next asked about of the 20% vacancies and if the vacancies was due to lack of funding or due to positions being froze? Director Choy responded that the vacancies is a result of both. He also said it was hard to recruit for specialized positions due to salary considerations and specialized expertise required of new hires.

Chair Giesting commented in addition to vacation rentals where else would DOTAX prioritize the departments attention for success?

Director Choy gave his personal view for DOTAX focusing more on companies with no physical presence in the State. He wants taxes to be administered in a neutral and fair way.

Mr. Shiraishi added his perspective and said that the Department benefits from finding non-filers and making them pay since that creates a sustained revenue stream.

Vice-Chair Miyashiro asked about the percentage of the budget for DOTAX compliance versus enforcement and collections.

Mr. Shiraishi said that the approximately 1/3 of the Department's budget goes to Compliance.

Mr. Clay asked a question with a previous statement of using AI, and if it would be possible with that use to flag potential discrepancies for filers.

Mr. Shiraishi responded that DOTAX does use the information generated by AI and sends letters out to flagged taxpayers, asking them to amend their return.

Mr. Wong commented on voluntary compliance and asked what steps are being taken to incentivize voluntary compliance for non-filers.

Mr. Shiraishi responded that there are two options. First is voluntary disclosure program which DOTAX will allow taxpayers to come forward and pay the tax. DOTAX may waive the penalty but not interest. Second is the amnesty program which has both pros and cons.

Chair Giesting acknowledged new legislation was passed on conveyance for higher end real estate and asked if the system was able to identify transactions and collect taxes.

Mr. Shiraishi referenced Title 14 in Hawaii Revised Statutes, with regards to the process and procedure that taxes are collected.

NEXT MEETING:

The Tax Review Commission tentatively agreed to meet on Tuesday, May 25, 2021, at 1 p.m. It will be a virtual meeting. The Chair adjourned the meeting.

ADJOURNMENT:

The meeting adjourned at 1:47 p.m.