

Tax Review Commission

Meeting Minutes, June 16, 2021

Virtual Zoom Meeting
Due to Covid-19 Stay at Home Ordinance
Meeting was held virtually
Video Recording

Wednesday, June 16, 2021
12:00 p.m.

PRESENT

Council Members:

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

Staff Members:

Department of Taxation (DOTAX): Seth Colby, Yvonne Chow, Baybars
Karacaovali, Dongliang Wu, Roderick Tuliao

CALL TO ORDER

Chair Giesting called the meeting to order at 12:01 p.m. A quorum was present.

COMMUNICATIONS TO THE COMMISSION AND PUBLIC COMMENT

Chair Giesting asked if there was any communication to the Tax Review Commission (TRC).
There was none.

MINUTES OF THE MEETING OF MAY 25, 2021

Chair Giesting called for a motion to approve the minutes.

**It was moved by Ms. Lloyd and seconded by Vice-Chair Miyashiro that the minutes of the
May 25th meeting be accepted. The Chair called for the vote, and the motion passed with
the following votes:**

Elizabeth Giesting Yes
Alton Miyashiro Yes

Murray Clay	Yes
Sayle Hirashima	Yes
Winston Wong	Yes
Katharine Lloyd	Yes

PRESENTATION ON HAWAII TAX CREDITS BY DR. SETH COLBY, TAX RESEARCH AND PLANNING OFFICER

Dr. Colby made a presentation on Hawaii Tax Credits. [The presentation is posted on the TRC website.]

DISCUSSION ON STRATEGY FOR IDENTIFICATION AND INVESTIGATION OF CORE THEMES FOR TRC REPORT

Chair Giesting opened the discussion by asking if there is any data regarding the State's tax credit structure and how it compares to other states in terms of the number of credits and amounts. Chair Giesting doesn't recall if prior reports from the Commission contained this data.

Dr. Colby responded that DOTAX does not have that information at this time.

Mr. Clay asked about prior presentations by Dr. Colby regarding how many different income groups pay in Hawaii and State taxes and if the data that was provided was net of tax credits or if tax credits was not figured into data analysis.

Dr. Colby responded that tax credits were usually included in the income distribution figures, but not in all cases.

Chair Giesting continued the discussion citing past reports about the lack of transparency and level playing field for tax credits that go to promote industries. Chair Giesting expressed concern on two topics:

1. Are there any reporting requirements for industries that receive tax credits??
2. What is needed to help promote greater transparency?

Dr. Colby stated that according to the States fiduciary responsibility DOTAX takes taxpayer confidentiality very seriously and do not provide any information. However, Dr. Colby also informed the Commission that if the Commission would like a higher level of transparency that it is something that can be suggested.

Mr. Wong asked a question if there is any data on the number of successful, denied, challenged, and wrongfully claimed credits?

Dr. Colby responded that DOTAX only provides the information that in the current DOTAX's system.

Chair Giesting wanted to outline and revisit the projects from prior Commission meetings and to figure out which projects are of higher priority. She also had questions about how to spend the funds allocated to TRC.

Dr. Colby explained that depending on the size of contract there are different procurement rules. Dr. Colby will work with ASO (Administrative Services Office) to provide the Commission with procurement details.

Mr. Clay gave an update on meeting with Professor Makena Coffman. An appointment has been scheduled for the week of June 21st. He plans to discuss distributional effects of the carbon tax for different income quintiles and in relation to neighbor islands.

Chair Giesting brought up the remaining issues that is of high priority to be added to the Commission's Report:

1. Tax credits and exemptions
2. Compliance and enforcement
3. Increasing visitor fees to offset costs to environment and the local burden
4. Simpson-Bowles like commission to look at spending and not just revenue
5. Tax rates and compliance for real property and conveyance
6. Standard deductions and personal exemptions to mirror federal rates and index them to inflation
7. Equitable taxation on retirement income
8. Analyzing and balancing the recommendation

NEXT MEETING:

The Tax Review Commission tentatively agreed to meet on Wednesday, July 21, 2021, at 12:00 p.m. It will be a virtual meeting. The Chair adjourned the meeting.

ADJOURNMENT:

The meeting adjourned at 1:20 p.m.