Tax Review Commission

Meeting Minutes, July 28, 2021

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

Wednesday, July 28, 2021
12:00 p.m.

PRESENT

Council Members:
Elizabeth Giesting (Chair), Alton Miyashiro (Vice Chair), Murray Clay,
Scott Teruya, Winston Wong, Katharine Lloyd

Staff Members:
Department of Taxation (DOTAX): Seth Coby, 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 JULY 21, 2021

Chair Giesting called for a motion to approve the minutes.

It was moved by Vice-Chair Miyashiro and seconded by Mr. Wong that the minutes of the July 21st 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
Scott Teruya      Yes
Winston Wong      Yes
Katharine Lloyd   Yes

DISCUSSION ON HIRING TAX REVIEW COMMISSION (TRC) CONSULTANTS

Chair Giesting started the discussion with a recommendation and introduction to the TRC of a potential consultant, Economist Dr. Baybars Karacaovali of DOTAX.

Dr. Karacaovali gave a brief introduction and overview of his background and credentials.

Chair Giesting asked how Dr. Karacaovali’s consulting fees would be paid.

Dr. Karacaovali said that drafting of the report or any other additional work that would be commissioned will be outside of regular work hours in compliance with the State’s ethics code and paid through overtime.

Mr. Wong asked if DOTAX would be able to provide an estimate or budget to the Commission with regards to overtime pay in terms of work provided.

Dr. Colby said that the Commission needs to draw up a scope of work before a budget estimate can be provided.

Mr. Teruya asked if the Commission was able to sole source Dr. Karacaovali as a consultant.

Dr. Colby stated that previous Commission’s was able to sole source due to overtime related to DOTAX employee.

Chair Giesting asked for clarification regarding what type of analysis DOTAX staff is able provide compared to what’s opposed to what the Commission asks of a consultant or PFM to research.

Dr. Colby stated that TRP provides research for any type of modeling revenue forecast for changes in tax law for TRC. The consultant will be in charge of writing the report and systematizing the knowledge.
DISCUSSION ON HAWAII STANDARD DEDUCTIONS AND PERSONAL EXEMPTIONS LED BY TRC MEMBER KATHARINE LLOYD

Dr. Karacaovali started the discussion by giving a background presentation of Hawaii Standard Deductions and Personal Exemptions. [The presentation is posted on the TRC website.]

Mr. Clay said that if they raised the personal exemption and standard deductions and indexed them to inflation, then other State credits might have to be reevaluated.

Dr. Colby said that would be correct.

Ms. Lloyd said the two prior Commissions recommended increasing the standard deduction and personal exemptions, and the PFM study said that is the optimal method for decreasing regressivity in our tax system. Ms. Lloyd suggested that TRP do some updated numbers and see what revenue lost would be and whether it would be justifiable.

Chair Giesting asked what was the rationale for the increased in the federal government’s personal exemption amount.

Dr. Colby said the reasoning was based on simplicity.

Ms. Lloyd said she would be willing to work with Dr. Colby or Dr. Karacaovali to figure out what types of analysis could be done on raising the standard deduction and personal exemption to look at the impact of that across certain filer types along with revenue loss.

Mr. Clay said that increasing the personal exemption might help retirees maintain similar levels of taxation even if Social Security and defined benefit contributions were to be taxed at the state level.

NEXT MEETING:

The Tax Review Commission tentatively agreed to meet on Wednesday, August 11, 2021, at 12:00 p.m. It will be a virtual meeting. The Chair adjourned the meeting.

ADJOURNMENT:

The meeting adjourned at 12:45 p.m.