

**Tax Review Commission**

**Meeting Minutes, August 18, 2021**

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

Wednesday, August 18, 2021  
12:00 p.m.

**PRESENT**

Council Members:

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

Staff Members:

Department of Taxation (DOTAX): Seth Coby, Baybars Karacaovali, Dongliang  
Wu, Roderick Tuliao

Green Fee Hawaii: Jack Kittinger, Eric Co, Carissa Cabrera

**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 28, 2021**

Chair Giesting called for a motion to approve the minutes.

**It was moved by Vice-Chair Miyashiro and seconded by Mr. Hirashima that the minutes of the July 28th meeting be accepted. The Chair called for the vote, and the motion passed with the following votes:**

<b>Elizabeth Giesting</b>	<b>Yes</b>
<b>Alton Miyashiro</b>	<b>Yes</b>
<b>Murray Clay</b>	<b>Yes</b>
<b>Winston Wong</b>	<b>Yes</b>
<b>Sayle Hirashima</b>	<b>Yes</b>

### **DISCUSSION ON VISITOR “GREEN FEE”**

Chair Giesting started the discussion with the introduction of Dr. Jack Kittinger.

Dr. Kittinger gave a presentation for the Commission regarding Hawaii Green Fee and then opened the discussion for Q&A’s.

Chair Giesting asked a question about the “30 for 30 Challenge” that was set in 2016.

Mr. Co responded that the 30 for 30 Challenge had two parts, both of which are aimed to protect 30% of the natural resource base by 2030: Terrestrial, which is particularly native forest and largely intact native forest, and ocean, which is near shore waters.

Mr. Hirashima also had a couple of questions regarding the funding source:

1. What happens to the money? Is it administered by the state or passed out in grants?
2. How does it translate between fees collected by government into something that affects the public?

Dr. Kittinger cited that the model they found to be the most acceptable and accepted in their estimation has been the public/private management model. Dr. Kittinger stated that in this model public funds would go into a special fund which is overseen by a board that has both public and private leadership which together would direct how the funds would be used.

Mr. Clay shared his concern about protecting the special funds for the use for which it was intended.

Dr. Kittinger suggested that there may be ways to encumber special funds. Dr. Kittinger also expects that these special funds would be harder to divert if they support direct jobs in the economy.

Mr. Co agreed with Dr. Kittinger regarding encumbering special funds with matching federal funds or private funds. Mr. Co also suggested setting up a youth board, which would create an opportunity for future generations and would make it more difficult for the State to transfer the special funds.

Dr. Colby encouraged the Commission to think about how to ensure that you are getting value for your money being spent.

Dr. Kittinger responded with regards to funding that they envisioned a mechanism that would support private, nonprofit, and public sector jobs. Dr. Kittinger also stated that the investment private sector tourism businesses are putting into the environment are substantial and feels their spending could be matched to entice additional private sector investments and create shared revenue streams for jobs.

Chair Giesting expressed her concern about the timeline for the 30 by 30 and asked Dr. Kittinger about his experience working with legislature and where things are now and what they hope to accomplish by the next session.

Dr. Kittinger first referenced recent Intergovernmental Panel on Climate Change (IPPC) reports which in his opinion was disturbing. With regards to legislation Dr. Kittinger said that there are 2 strategic fronts:

1. Internal strategy of how to advise work with legislators who are interested in the policy solution and how to align a critical mass leadership around one or two bills rather than a diversity of different ones.
2. Build an external constituency

Mr. Co added that the perspective of legislature for last session was too many bills to navigate and not focused.

Chair Giesting asked if Dr. Kittinger would be willing to provide a couple scenarios regarding Green Fee for the Commission to review and decide if they will include Green Fee in the Commission's report to the legislature.

Dr. Kittinger suggested submitting two maybe three different discreet approaches.

Mr. Clay followed up by suggesting that Dr. Kittinger submit a minimum of at least one TAT and one non-TAT option for funding.

## **DISCUSSION ON COMPLIANCE AND ENFORCEMENT**

Mr. Hirashima started the discussion by giving a presentation on Compliance and Enforcement. [The presentation is posted on the TRC website.]

Mr. Clay commented that it is counterproductive to cut off funding to the Tax Department when the budget is having a hard time. Mr. Clay said there were two problems: 1) Misguided notion of fairness in terms of how cost reductions are applied across the government. 2) Having credibility on numbers that are being provided regarding diminishing returns by adding budget or staff.

Dr. Colby stated that diminishing returns only holds in a given organization structure. It is possible that changing business practices would increase the ROI associated without adding additional compliance staff.

Mr. Hirashima agreed with Dr. Colby and responded that the workforce is changing. It is difficult for organizations to update their workforce in a way that keeps up with technological trends.

Mr. Wong asked the question of what type of candidates is DOTAX looking for with regards to the 17% vacancy rate that was indicated.

Mr. Hirashima responded that finance and IT skills and certain data sets are in high demand. And although DOTAX has implemented a new platform, they are still having to compete with other corporations that have the same needs.

Chair Giesting asked if DOTAX has a plan or proposal for a study that would help them modernize.

Mr. Hirashima cited DOTAX's staffing plan and stated that DOTAX has taken steps to modernize their IT capacity. However, DOTAX's immediate challenge is access to a steady funding source.

Mr. Clay asked if there is a law that you must be a Hawaii resident to be employed by DOTAX.

Dr. Colby responded that there is a requirement that State of Hawaii employees must be residents.

Chair Giesting asked Mr. Hirashima if there were any specific recommendations that the Commission should advance in the Commission's report.

Mr. Hirashima recommended dedicated funding source for DOTAX.

Mr. Wong shared his opinion by citing Mr. Hirashima's outline regarding new challenges and suggested that DOTAX create an industry guide or guidance help with voluntary compliance with regards to new markets or industries.

Mr. Hirashima agreed with Mr. Wong that DOTAX should put out FAQs in certain topics and in new areas that would help people to comply.

### **DISCUSSION ON THE HIRING OF CONSULTANTS**

Chair Giesting briefly went over the scope of work that the Commission would require of the consultant Dr. Baybars Karacaovali:

1. Review previous TRC work and past reports that address any of the issues identified above, particularly those from the 2015-17 and 2010-2012 Commissions. Extract and present to current Commissioners their findings and recommendations.
2. Draft summaries of TRC deliberations and conclusions.
3. Provide a written summary and any needed context, graphics, or other information to describe the overall effects on public and private interests, cost burden, and revenue consequences of recommended changes, both as stand-alone proposals and as an interdependent package. Consultant will rely on analysis prepared by the Office of Tax Research and Planning. Information will be included in the TRC's final report.
4. Draft the final report of activities and recommendations for the 2020-21 TRC.

Mr. Clay suggested that in his opinion the review of previous TRC work and draft of the final report should be of most importance.

Chair Giesting then addressed the estimated cost of the consultant.

Dr. Karacaovali suggested a budget of \$40,000.

**It was moved by Mr. Clay and seconded by Vice-Chair Miyashiro that the scope of work and agreement to consult with Dr. Karacaovali was accepted. The Chair called for the vote, and the motion passed with the following votes:**

<b>Elizabeth Giesting</b>	<b>Yes</b>
<b>Alton Miyashiro</b>	<b>Yes</b>
<b>Murray Clay</b>	<b>Yes</b>
<b>Winston Wong</b>	<b>Yes</b>
<b>Sayle Hirashima</b>	<b>Yes</b>

### **NEXT MEETING:**

The Tax Review Commission tentatively agreed to meet on Wednesday, September 15, 2021, at 12:00 p.m. It will be a virtual meeting. The Chair adjourned the meeting.

**ADJOURNMENT:**

The meeting adjourned at 1:31 p.m.