

Tax Review Commission

Meeting Minutes, September 15, 2021

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

Wednesday, September 15, 2021
12:00 p.m.

PRESENT

Council Members:

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

Staff Members:

Department of Taxation (DOTAX): Seth Coby, 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 AUGUST 18, 2021

Chair Giesting called for a motion to approve the minutes.

It was moved by Mr. Wong and seconded by Vice-Chair Miyashiro that the minutes of the August 18th 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
Winston Wong	Yes
Sayle Hirashima	Yes
Scott Teruya	Yes
Katharine Lloyd	Yes

REVIEW AND DISCUSSION OF PAST TRC REPORTS AND MATERIALS LED BY CONSULTANT DR. BAYBARS KARACAOVALI

Dr. Karacaovali made a presentation on 2020-2022 Hawaii Tax Review Commission (TRC):
Issues for Investigation and Possible Recommendation:

1. Carbon tax/greenhouse gas impact fees
2. Visitor impact fees
3. Hawaii's standard deduction and personal exemptions
4. Tax system compliance and enforcement
5. Tax policy on real property and wealth
6. Tax credits and exemptions
7. Taxes on pensions and other retirement income
8. Simpson-Bowles-like commission on spending

[The presentation is be posted on the TRC website].

Chair Giesting opened the agenda item for discussion.

Mr. Clay asked Dr. Karacaovali if the State and County governments are considering moving to a defined contribution plan or will they continue with pensions.

Dr. Karacaovali responded that currently the State offers a defined benefits plan, and he does not know of any plans to change this.

Mr. Clay stated as 401K's become more popular compared to pensions the notion that over time the inequity will work itself out is only true for private sector employees and does not hold true for government employees.

Dr. Karacaovali said that the past report from Dr. Mason to the previous Commission did address that issue and although the Commission did not agree there was a big enough factor for the State the Commission still recommended the taxing of pensions.

Chair Giesting asked Dr. Karacaovali a question about the tax credits and exemptions regarding businesses and the sunset dates being re-examined along with concerns about transparency.

Dr. Karacaovali said that the sunset dates kept getting pushed back and as for the exemptions the State auditor's report was not able to identify the original legislative intentions for most of the exemptions.

DISCUSSION ON TAX CREDITS AND EXEMPTIONS LED BY TRC MEMBER WINSTON WONG

Mr. Wong gave a presentation on Tax Credits and Exemptions. [The presentation is posted on the TRC website]

Chair Giesting opened the agenda item for discussion.

Chair Giesting asked Mr. Wong that if the highlighting of unclear language suggests that the TRC should re-write the language in one or maybe several ways to give the legislature options and clarify legislative language.

Mr. Wong said that he feels it would be proactive to put out suggestions and considering the Commission's perspective and evaluation of tax policy efficiency and equity all of this would be in line with what the Commission is trying to effect and what the original purpose of the statutes are.

Chair Giesting said that pension exemptions for state and county workers is another cause for concern but noted that the State could recoup lost revenue by taxing other pensions and Social Security payments.

Mr. Wong cited the Commission reports which raised the issue of pension and fixed income but conceded that there might be easier ways to achieve that tax relief and feels that just evaluating and reporting the revenue cost in his opinion is the most important thing.

DISCUSSION ON PROPERTY TAXES LED BY TRC CHAIR ELIZABETH GEISTING

Chair Giesting started the discussion by giving a presentation on Real Property Taxes (RPT) and recommended that the Commission should encourage counties to explore ways RPT can enhance revenues to support housing and other growing capital needs. [The presentation is posted on the TRC website]

Mr. Clay asked if, as a State Tax Review Commission, this group is allowed to make recommendations to the counties regarding their tax situation.

Chair Giesting responded that the Commission is allowed to make a recommendation and cited that the 1984 TRC did address property tax rates. Although the Legislature did not do anything about that recommendation Chair Giesting hopes that the county would be interested in taking a look at any of the recommendations that are given and may affect them.

Mr. Clay asked a follow up question regarding if there are difference in tax rates regarding resident owners and nonresident owners.

Chair Giesting said there are different rates for residential properties, but the best rate normally goes to residential property that is occupied by the owner compared to less favorable residential categories that is not owner occupied which have higher rates.

Ms. Lloyd added to Mr. Clay's question by noting that it is unconstitutional for the State to differentiate between non-Hawaii residents and Hawaii residents in applying real property tax rates.

Mr. Clay asked about the interplay between county property tax and state and if HARPTA is a state withholding when selling a property.

Dr. Karacaovali responded that HARPTA withholding is not for real property taxes but it is for Hawaii individual income tax obligations of nonresidents regarding net long-term capital gains.

NEXT MEETING:

The Tax Review Commission tentatively agreed to meet on Wednesday, September 22, 2021, at 12:00 p.m. It will be a virtual meeting.

ADJOURNMENT:

The Chair adjourned the meeting at 1:40 p.m.