

Tax Review Commission
Meeting Minutes, September 22, 2021

Virtual Zoom Meeting
Video [Recording](#)

Wednesday, September 22, 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

Green Fee Hawaii: Jack Kittinger, Eric Co

CALL TO ORDER

Chair Giesting called the meeting to order at 12:00 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 SEPTEMBER 15, 2021

Chair Giesting called for a motion to approve the minutes.

It was moved by Mr. Wong and seconded by Mr. Hirashima that the minutes of the September 15th 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

PRESENTATION AND DISCUSSION ON REVENUE ESTIMATES AND RELATED RESEARCH BY CONSULTANT DR. BAYBARS KARACAOVALI

Dr. Karacaovali made two presentations on:

1. Revenue Estimates, Statistical Analysis, and Background Research: Hawaii Standard Deduction and Personal Exemptions. [[The presentation is be posted on the TRC website](#)].
2. Revenue Estimates, Statistical Analysis, and Background Research: Taxing Pensions and other Retirement Income. [[The presentation is be posted on the TRC website](#)].

FURTHER DISCUSSION OF “GREEN FEE” PRESENTATION

Dr. Jack Kittinger gave a presentation on Green Fee:

1. Policy Options
2. Revenue Estimates
3. Fund Management and Distribution
4. Impact Potential [[The presentation is posted on the TRC website](#)]

Chair Giesting opened the agenda item for discussion.

Dr. Colby shared a brief overview regarding Green Fee levied through TAT:

1. The impact of the tax depends on elasticities
2. The burden of taxes tends to fall on the sector that is most inelastic
3. Since the supply of room inventory is inelastic, TAT levies fall more on hotels and the suppliers of room than on tourists.
4. If the purpose of a Green Fee is to lessen tourism demand, then a levy on TAT may not be optimal

Dr. Kittinger responded that one issue with TAT is the collection methodology but explained that the upcoming legislation will discuss the existing TAT mechanism with regards to allocation.

Mr. Co expressed that the mechanism is about solvency and mitigating the impact on the environment rather than controlling the visitor numbers.

Mr. Clay suggested that, to avoid misappropriation of funds, a fee approach rather than a TAT would work best, but the lack of managed resources concerns him.

Mr. Co agreed with the fee approach and addressed a few points to be considered:

1. Fee schedule based on market segment such as non-resident and resident price
2. Social welfare programs
3. Legal analysis of permissions that already exist with DLNR and other departments and what permissions still need to be covered.
4. Legal jurisdictions have an impact on what can be levied and who can levy it, and
5. The fee structure can provide data that can be collected for the benefit of resource management and visitor management experience

Mr. Clay asked if there has been any State funded study of Green Fee or Green Tax.

Dr. Kittinger said that all analysis has been privately funded.

Chair Giesting asked if it was feasible to think about a TAT carve out.

Dr. Kittinger responded that through the executive authority under the emergency proclamation power a collection method already exists via a program similar to Hawaii's Safe Travels.

Mr. Hirashima asked if the consumption or revenue from GET will decrease due to the interaction of Green Fees.

Mr. Co stated that they are not sure about the decrease, but it is something worth exploring.

Dr. Colby commented that visitors generally have a fixed spending budget for their visit and increasing expenses in one area reduces spending in other areas.

Dr. Kittinger feels that there is a strong baseline of research and a good foundation but still thinks analysis on specific policy proposals that would give the most clarification of what may be most achievable.

Dr. Colby asked Dr. Kittinger if the Green Fee is dissimilar from using property tax to address coastal climate change risks.

Dr. Kittinger responded that there are two types of infrastructure:

1. Green Fee infrastructure which focuses on the ecosystem that communities and tourism sectors rely on.
2. Built infrastructure which focuses on carbon tax and climate policy.

Chair Giesting said that the Commission could make a general recommendation in favor of a green fee but more specificity is needed in order to implement any proposal.

DISCUSSION ON SIMPSON-BOWLES-LIKE COMMISSION LED BY TRC VICE-CHAIR ALTON MIYASHIRO

Vice-Chair Miyashiro started the discussion by giving a presentation on Simpson-Bowles like commission. [\[The presentation is posted on the TRC website\]](#)

Chair Giesting opened the agenda item for discussion and asked if the Commission should address the unfunded liabilities for retirement costs.

Mr. Clay said that it would be good practice to make a recommendation with regards to all the unfunded liabilities.

Chair Giesting agreed with Mr. Clay and suggested maybe even adding a few other items besides pensions.

NEXT MEETING:

The Tax Review Commission tentatively agreed to meet on Wednesday, October 13, 2021, at 12:00 p.m. It will be a virtual meeting.

ADJOURNMENT:

The Chair adjourned the meeting at 1:59 p.m.