

Tax Review Commission
Meeting Minutes, October 20, 2021

Virtual Zoom Meeting
Video [Recording](#)

Wednesday, October 20, 2021
12:00 p.m.

PRESENT

Council Members:

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

Staff Members:

Department of Taxation (DOTAX): Ted Shiraishi, Yvonne Chow, Dongliang
Wu, Roderick Tuliao

TRC Consultant: Jonathan White

CALL TO ORDER

Chair Giesting called the meeting to order at 12:02 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 OCTOBER 13, 2021

Chair Giesting called for a motion to approve the minutes.

**It was moved by Mr. Teruya and seconded by Mr. Hirashima that the minutes of the
October 13th 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
Scott Teruya	Yes

CONTINUED REVIEW, ANALYSIS, AND RECOMMENDATIONS ON PRIORITY ISSUES

Chair Giesting started the discussion by sharing with the Commission an updated recommendation regarding Personal Exemption and Standard Deduction by Ms. Lloyd who was unable to attend. [\[The memo is posted on the TRC website\]](#)

Mr. Clay commented that he would like to see the net effect added into the recommendations.

Chair Giesting asked the Commission if Ms. Lloyd's recommendation applied to all the different options or just the doubling which seems to be the most practical.

Mr. Clay shared his concerns with providing multiple options and thinks that narrowing down the amount of data provided would be more beneficial when submitting to the legislature.

Mr. Hirashima suggested maybe doing a couple of models and then submitting what the commission agrees to be the fairest which he also believes in theory the indexing will take of escalations.

Chair Giesting agreed with both the recommendations made by both Mr. Clay and Mr. Hirashima. She stated that the Commission will use its discretion to make final recommendations after seeing the analysis on all priority issues.

Vice-Chair Miyashiro gave a follow up regarding his revised recommendation memo on Adopting a Simpson-Bowles Type of Commission and noted that it did not include specific recommendations. [\[The memo is posted on the TRC website\]](#)

Mr. Wong gave a brief update on his recommendation and will be submitting a memo that recommends a few exemptions that should be removed and languages that should be changed for brevity and clarity.

Mr. Wong also noted that his research was inconclusive d at both the federal and state level on the permissibility of disclosing or waiving confidentiality for individuals and businesses benefiting from tax credits and exemptions.

Mr. Wong said he thinks there should be a balance between the public interest in knowing where the credits and exemptions are going and protecting the taxpayers right to privacy.

Vice-Chair Miyashiro agreed and thinks that having some disclosure would hold the taxpayers more accountable.

Mr. Shiraishi noted that most of the tax chapters in Hawaii have a confidentiality provision except for fuel tax, but that the Commission can offer other recommendations.

Mr. Shiraishi also suggested that if the Commission recommends taxpayer disclosure for claimants of credits and exemptions, then it should also ensure that potential claimants be given prior notice that any claims would be disclosed. That way, the claimant will have the opportunity to forego the claim if they wish to not have their identity disclosed.

Mr. Clay asked Mr. Shiraishi if there was recent legislation regarding the film tax credit and disclosing who has received it.

Mr. Shiraishi responded that currently DBEDT is required to submit a report to the legislature with data about the types of cost that each of the productions paid but identities are still redacted in that report.

Chair Giesting asked the Commission if they would want to continue to advocate for a sunset provision regarding tax credits so that they could be analyzed for efficacy for when it was established.

Mr. Wong agreed with Chair Giesting and noted that previous Commissions have made similar recommendations.

Chair Giesting asked Mr. Wong if his recommendations about GET tax exemptions were based on their lack of significant financial consequences.

Mr. Wong responded that his primary reason for recommending exemptions be removed is because they were not utilized, and that the goal of the Commission is to streamline the credits and exemption system.

Chair Giesting also asked Mr. Wong about the exemption of certain retirement income like social security and pension income and if it should be updated.

Mr. Wong responded that currently he has no recommendation, but it is important to research and provide updated metrics, citing that the last examination of the exemption took place in 2003.

Chair Giesting agreed and stated that this is an issue that will have implications for tax fairness and tax adequacy with Hawai'i's aging population.

Chair Giesting asked Mr. Teruya to share his thoughts regarding counties exploring the use of real property taxes as a means to increase the equity and adequacy of the overall tax system and leverage resources to meet future needs particularly for housing for Hawaii's working families.

Mr. Teruya stated that each county is addressing their populations' needs for affordable housing. Maui, for instance, already sets aside more county tax revenue for that purpose than other counties. He also noted that progress is also dependent on the legislature.

IDENTIFY PROCESS TO ANALYZE AND BALANCE THE TAX SYSTEM BASED ON RECOMMENDATIONS

Chair Giesting asked Mr. Clay for an update on the Carbon Tax study.

Mr. Clay will follow up with Dr. Coffman on its status and has requested that the Commission meet on November 3, 2021.

Chair Giesting asked Mr. Clay if the Carbon Tax recommendation would have any implications on the state revenue if taxes is collected and redistributed.

Mr. Clay responded by clarifying that Dr. Coffman's research will discuss what percentage could the state actually keep and spend and still allow the bottom four quintiles to be better off.

Chair Giesting also asked if the Green Fee should be calculated into balancing the tax system.

Mr. Clay does not think the Green Fee should be calculated into balancing the tax system because the Commission is recommending a study and not a specific fee or amount and would not be able to provide a calculation.

Chair Giesting said that both Real Property Tax and Simpson-Bowles does not need to be balanced into the recommendations since there is affect state revenue.

Chair Giesting asked about the following issues:

1. Deductions and exemptions and the potential impact of taxing retirement
2. Department of Taxation Capacity

Mr. Clay also suggested the recommendation of taxing defined benefit and defined contribution would be another issue that still needs to be looked at.

Chair Giesting asked Mr. Hirashima regarding his memo to DOTAX Capacity.

Mr. Hirashima responded that any tax that the Commission recommends will be administered by DOTAX and will require additional personnel and systems for support to be effective and fair.

NEXT MEETING:

The Tax Review Commission tentatively agreed to meet on Wednesday, November 3, 2021, at 12:00 p.m. It will be a virtual meeting.

ADJOURNMENT:

The Chair adjourned the meeting at 12:46 p.m.