

Tax Review Commission
Meeting Minutes, November 17, 2021

Virtual Zoom Meeting
Video [Recording](#)

Wednesday, November 17, 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): Seth Colby, Yvonne Chow, Dongliang Wu,
Roderick Tuliao

TRC Consultant: Jonathan White

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).
Chair Giesting informed the Commission that she had a meeting with Senator Dela Cruz and his staff regarding the general tenor of the Commission's recommendations.

MINUTES OF THE MEETING OF NOVEMBER 3, 2021

Chair Giesting called for a motion to approve the minutes.

It was moved by Mr. Murray and seconded by Mr. Hirashima that the minutes of the November 3rd 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
Sayle Hirashima	Yes

REPORT ON BALANCING TAX SYSTEM

Chair Giesting asked Dr. Colby if the revenue estimates for the Commission's recommendations has been synthesized.

Dr. Colby said he was not aware of this request, and they are not available. He apologized and asked Chair Giesting if the Commission would like all the revenue estimates for all the recommendations.

Chair Giesting responded that the Commission would like all the revenue estimates for their recommendations and how it would work if they are to interact with each other.

DISCUSSION AND FINAL AGREEMENT ON RECOMMENDATIONS

Chair Giesting started the discussion by asking each Commission member to share their recommendation on what they would like to have included in the final report.

1. Carbon Tax

Mr. Clay shared his recommendation regarding the Carbon Tax by referencing the draft report provided by TRC Consultant Jonathan White.

Mr. Clay in his opinion through the research provided by Dr. Coffman would recommend a 80/20 split of revenues and sharing across all income quintiles.

Chair Giesting agreed with the 80/20 split of revenues, however Chair Giesting expressed that she would prefer the recommendation be for just the lower 80% of households to receive the tax credit as she believes that the higher income households may have already benefited from being able to afford energy saving devices.

Chair Giesting asked the Commission if they would like to recommend how the State uses the 20% received from the Carbon Tax.

Mr. Clay said that he personally has no objections making that recommendation but noted that given previous legislation it would be better to have the Carbon Tax go to the General fund.

2. Visitor Green Fee

Chair Giesting recommended that the report make it clear that the Commission is asking for an implementation study.

Mr. Clay clarified that the study should be very specific and very clearly directed at making a clear recommendation for how to implement a green fee.

Mr. White said that he will take the bullet points provided and make the recommendation stronger and more specific as requested.

Chair Giesting per the Commission's agreement would like the report to mention a per-arrival arrangement, similar to what is done in the Galapagos and Palau, is not likely to be legally feasible.

Mr. Wong noted that he agreed that it would be tough to propose an arrival fee similar to Palau's because it would not be constitutional. but he thinks that the study should consider all types of funding sources.

3. Enforcement and Compliance

Mr. Hirashima overall felt that the recommendation in both the content and tone of the report was accurate.

Vice-Chair Miyashiro added that he attended a DOTAX workshop, and it seems like DOTAX is making a concerted effort into strengthening enforcement and collections.

Chair Giesting asked the Mr. Hirashima if the Commission will be recommending additional funding that is needed now or additional funding should be provided when needed.

Mr. Hirashima said that his recommendation would be to provide a steady stream of funding.

Mr. Clay asked Mr. Hirashima 1) if he recommends that DOTAX be exempt from across the board spending cuts? 2) if he recommends the State restore funding that was previously cut.

Mr. Hirashima thinks that both should be recommended.

Chair Giesting asked if the Commission should recommend that there be an assessment of the Department's needs and add an enhancement to their budget as needed.

Mr. Hirashima agreed with Chair Giesting.

4. Simpson-Bowles Commission

Vice-Chair Miyashiro recommends that there should be a change in the title per Dr. Colby suggestion.

Vice-Chair Miyashiro asked the Commission their thoughts regarding the president's signing of the infrastructure bill and if the Commission should suggest that the State form some type of commission to manage the spending of the funds.

Chair Giesting endorses Vice-Chair Miyashiro's recommendation regarding suggesting the State to form some type of commission to manage the spending of the funds.

Mr. Teruya agreed with both the Chair Giesting and Vice-Chair Miyashiro and thinks that it does provide good insight.

Chair Giesting also likes the idea of the Simpson-Bowles plus concept because of the departure and improvement upon the original idea of the Simpson-Bowles Commission.

Dr. Colby encouraged the Commission to change the name of the commission from the Simpson-Bowles plus to something that reflects the nature of the commission.

5. Property and Wealth Tax

Chair Giesting recommended that the Commission encourage the Legislature to identify areas that increases coordination between the state and counties regarding the topics of land use, housing, and real property tax.

Mr. Teruya agreed with Chair Giesting's recommendation, but also stated that the hard part is that every county has a different financial position

Mr. Wong agreed with Chair Giesting but pointed out that since this is more of a county issue, he is unsure of how helpful the Commission's suggestions are going to be on the specifics of classifications and rates seeing as those are all set by the counties. Mr. Wong did think that exploring options for additional revenue generation could be more useful.

6. Retirement Income Equity

Mr. Wong recommended to initially have just the data be placed in the report and asked if the Commission had any thoughts or stronger recommendation.

Mr. Teruya asked Mr. Wong if his recommendation is to tax pension and retirement income uniformly.

Mr. Wong said that the evaluation of the exemption and the cost of the State would be the recommendation instead of prior Commission's that would tax retirement uniformly.

Mr. Clay shared his opinion and would be more supportive of a specific recommendation to taxing pensions.

Chair Giesting shared her opinion of taxing social security above a certain income level along with pensions.

Vice-Chair Miyashiro said that in his opinion defined benefit and defined contribution plans would equally be taxed but only over a certain base amount and social security would not be subject to tax.

Dr. Colby asked the Commission if they wanted the 25,000 exemption to apply to both types of income retirement and stated that exempting 401k's distributions which are currently taxed would result in a loss.

Mr. Wong asked Dr. Colby if they could get the numbers if the amount was to be lowered from 25,000 to 15,000 to see where the revenue impact would be.

Mr. Clay asked Dr. Colby what the exclusion rate would be that if it applied to both defined benefit and defined contributions plans would keep the State at least a break even and not a loss of tax dollars.

Dr. Colby responded that he would not feel comfortable in providing an estimate because he has no idea how many 401k distributions are out there and would require unverifiable assumptions.

Mr. White clarified the reasoning and demonstrating purposes for the 25,000 exemption for defined benefit pensions stating that in Hawaii defined benefit pensions aren't taxed meaning that you don't get a deduction for the contribution.

Mr. White suggested that the Commission do something a little less firm than the 25,000 but also use something that the previous commission recommended which was to allow deductions or create a deduction mechanism for people that are getting the defined benefit pensions and that would get the Commission to the same level as defined contribution.

7. Standard Deduction and Personal Exemption

Mr. Clay asked if the recommendation was to double the standard deduction.

Mr. White provided the notes from Ms. Lloyd regarding her recommendation stating that both the double and triple was for standard deduction, and the quintuple was for quintupling the standard deduction but also getting rid of the personal exemption.

Dr. Colby informed the Commission that if they double the personal exemption everybody will receive it, and if you double the standard deduction mainly lower income individuals will receive it.

Chair Giesting thinks that the Commission's approach should be to double the standard deduction and bring the personal exemption up to date to adjust for inflation from year to year.

8. Tax Exemptions and Tax Credits

Mr. Wong recommended a few specific tax exemptions that should be repealed which were the \$2,000 exemption for disabled owners, independent cane farmer exemption, and the securities or exchanges exemption.

Chair Giesting agreed with Mr. Wong and then asked about the transparency of income tax credits.

Mr. Wong said that he agrees with the draft report as it raises the Commission's concerns about taxpayer's confidentiality but at the same time qualifying for a credit isn't something that the public is entitled to and that these credits are in place to advance certain policy goals.

Chair Giesting asked the Commission their thoughts on the Earned Income Tax Credit (EITC) which goes to low-come households.

Chair Giesting stated that the EITC will expire if it is not renewed at the Legislature this coming year and that she would like to recommend and endorse passing it and making it a refundable tax credit.

Mr. Clay said that he would need more information asked Dr. Colby if he could provide the data for the difference between income and consumption.

Dr. Colby said he can provide those estimates.

NEXT MEETING:

The Tax Review Commission tentatively agreed to meet on Wednesday, December 1, 2021, at 12:00 p.m. It will be a virtual meeting.

ADJOURNMENT:

The Chair adjourned the meeting at 1:27 p.m.