

TAX REVIEW COMMISSION 2025-2027

Meeting Minutes,
Tuesday, February 17, 2026

Virtual Meeting

Meeting was held virtually and video recorded.

Recorded Video Link: <https://www.youtube.com/watch?v=-YIVfkYDMSE>

Tuesday, February 17, 2026

2:00 p.m.

PRESENT:

Commission Members:

Jonathan White (Chair), Judith Chock (Vice-Chair), Jessica Enos, Mark Fukunaga, Stacey Katakura, Jeffrey Ueoka, Jon Yasuda

Staff Members:

Department of Taxation (DOTAX): TRC Executive Director Dr. Baybars Karacaovali (DOTAX Tax Research & Planning Officer) and Roderick Tuliao (Administrative Assistant)

Attorney General's Office:

Deputy Attorney General Cynthia Johiro

CALL TO ORDER

Chair White called the meeting to order at 2:01 p.m. A quorum was present.

Roll Call:

Mr. Jonathan White	Present
Ms. Judith Chock	Present
Ms. Jessica Enos	Present
Mr. Mark Fukunaga	Present
Ms. Stacey Katakura	Present
Mr. Jeffrey Ueoka	Present
Mr. Jon Yasuda	Present

MINUTES OF THE MEETING OF JANUARY 15, 2026

Chair White called for a motion to approve the minutes.

It was moved by Mr. Fukunaga and seconded by Ms. Katakura that the minutes of the January 15th meeting be accepted. The Chair called for the vote, and the motion passed with the following votes:

Mr. Jonathan White	Yes
Ms. Judith Chock	Yes
Ms. Jessica Enos	Yes
Mr. Mark Fukunaga	Yes
Ms. Stacey Katakura	Yes
Mr. Jeffrey Ueoka	Yes
Mr. Jon Yasuda	Yes

OPENING REMARKS BY TAX REVIEW COMMISSION CHAIR JONATHAN WHITE

Chair White addressed the Commission regarding their last meeting being voted as Chair for Tax Review Commission.

COMMUNICATIONS TO THE COMMISSION AND PUBLIC COMMENT

Chair White asked if there was any communication to the Tax Review Commission (TRC).

Dr. Karacaovali said there was no communication received.

Chair White allowed time for comments from the public, no comments were received from the public.

INFORMATION ON AVAILABLE PRESENTATIONS AND MATERIALS FROM PREVIOUS TAX REVIEW COMMISSIONS

Chair White informed the Commission that the idea of having a summary of the presentation materials from previous Tax Review Commissions available to review was a way for the Commission members to save time. TRC would review specific past presentations and bring back questions to the Tax Research and Planning (TRP) staff. Alternatively, TRC may request TRP to present on some of those same topics or other ones.

Chair White had Dr. Karacaovali create a document with links to the relevant 2020-2022 Tax Review Commission presentations that were given by TRP. This document, titled “Information on Available Presentations and Materials from Previous Tax Review Commissions,” was shared with the public more than three business days before the meeting on TRC’s website:

<https://tax.hawaii.gov/stats/tax-review-commission/>

Chair White shared with the Commission the past informational presentations he believed were the most important:

1. General Excise Tax
2. Income Tax

Chair White also informed the Commission members of a document called the Principles of Sound Tax Policy for Hawaii from the 2015-2017 TRC, which was not listed in Dr. Karacaovali’s document, which he said he will bring up in a separate agenda item.

Chair White asked the Commission members if there was any discussion on the topic of reviewing past materials and presentations.

Mr. Fukunaga agreed with Chair White that this would save TRC time and opined that this was a great idea. Mr. Fukunaga also inquired and got confirmation from Dr. Karacaovali that this material had already been sent out.

Dr. Karacaovali highlighted the following sections in explaining “Information on Available Presentations and Materials from Previous Tax Review Commissions”:

A. GENERAL BACKGROUND

1. Former Tax Research & Planning Officer Dr. Seth Colby’s Presentation to the 2020-2022 Tax Review Commission titled “Hawaii Tax System: GET” on 12/16/2020
 - a. The presentation starts with a brief overview of the Hawaii’s Tax System and then provides details on General Excise & Use Tax
 - b. Presentation Slides:
https://files.hawaii.gov/tax/stats/trc/docs2022/sup_201216/GET_presentation.pdf
 - c. YouTube Video of the Presentation along with the 12/16/2020 TRC Meeting:
<https://youtu.be/euA5vnlA6KM>

B. SAMPLE RESEARCH PRESENTATIONS FROM 2020-2022 TRC

1. Dr. Baybars Karacaovali’s Presentation to the 2020-2022 Tax Review Commission titled “Revenue Estimates, Statistical Analysis, and Background Research: Hawaii Standard Deduction and Personal Exemptions” on 09/22/2021
 - a. The presentation starts with a brief overview of Hawaii’s Individual Income Tax and then provides details and revenue estimates from policy experiments regarding Hawaii Standard Deduction and Personal Exemptions

- b. Presentation Slides:
https://files.hawaii.gov/tax/stats/trc/docs2022/sup_210922/2021-09-22-Karacaovali-Standard_Deduction.pdf
- c. YouTube Video of the Presentation along with the 09/22/2021 TRC Meeting:
<https://www.youtube.com/watch?v=SyFyJU7kCHI&list=PLCA0rpHJMH8duJ0Lkkbf31WBA5Xh6qw3F&index=13>

C. CONSULTANT REPORTS FROM 2010-2012 AND 2015-2017 TRC'S

- 1. 2015-2017 TRC Consultant Report, Appendix A: "State of Hawaii Tax Review Commission Study: A Study of the Hawaii Tax System, "PFM Group Consulting LLC, November 14, 2017.
 - a. 2015-2017 TRC engaged PFM Group Consulting LLC to perform a systematic review of the State's tax structure, with particular emphasis on answering three key questions: (a) Who bears the burden of Hawaii's taxes (including how much is exported to visitors)? (b) What are the most effective ways to reform Hawaii's taxes to make them less regressive? (c) What are the best ways to generate more revenue through new and existing sources, and through improved compliance with Hawaii's tax laws?
 - b. Report Link:
https://files.hawaii.gov/tax/stats/trc/docs2017/archive/appendix%20A-State%20of%20Hawaii%20Tax%20Review%20Commission%20Study-A%20Study%20of%20the%20Hawaii%20Tax%20System%20-PFM_Group_Consulting_LLC.pdf
 - c. Dr. Rousslang also wrote the final report of the 2015-2017 TRC as a consultant

PRESENTATION BY DR. BAYBARS KARACAOVALI TITLED "GENERAL OVERVIEW OF THE HAWAI'I TAX SYSTEM"

Dr. Karacaovali prepared a presentation for the Commission which highlighted the following information:

- 1. STATE REVENUES BY TAX TYPE
- 2. The bulk of the State's Tax Revenue comes from Consumption taxes
 - a. CONSUMPTION TAXES
 - i. General Excise and Use Tax
 - ii. Transient Accommodation Tax
 - iii. Fuel Tax
 - iv. Cigarette & Tobacco Tax
 - v. Public Service Companies Tax
 - vi. Insurance Premiums Tax
 - vii. Liquor Tax

- viii. Motor Vehicle Taxes & Fees
 - b. INCOME TAXES
 - i. Individual Income Tax
 - ii. Corporate Income Tax
 - iii. Unemployment Insurance Tax
 - iv. Franchise Tax
 - c. WEALTH TAXES
 - i. Estate Tax
 - ii. Conveyance Tax
3. **Chart: Total Tax Collections, Fiscal years 2016-2025**
 4. **Chart: Tax Revenue Composition, Fiscal Years 2016-2025**
 5. **Chart: Fiscal Year 2025 Distribution of Tax Revenues**
 6. **Table: GENERAL EXCISE, CONSUMPTION, COMPENSATING AND USE TAX RATES (in percentages, up to July 1, 1989)**
 7. **Understanding the GET**
 - a. GET is best defined as two taxes:
 - i. A broad retail “consumption/sales” tax at 4% (on gross revenues of retail sellers, contractors, service providers, rentals)
 - ii. Privilege Tax at 0.5% (on manufacturers and wholesalers) and 0.15% (on insurance commissions)
 8. **Chart: GET Exemptions: 0% GET**
 9. **GET Exemptions: 0% GET and Table: GET Exemptions Claimed for Tax Year 2023**
 10. **Table: SELECTED STATE SALES TAX CHARACTERISTICS, 1987**
 11. **Chart: General Excise and Use Tax Trends, Fiscal Years 2016-2025**
 12. **Chart and Table: General Excise & Use Tax Collections, Fiscal Years 2024-2025**
 13. **Chart: General Excise & Use Tax Collections, Fiscal Years 2024-2026**
 14. **Chart: Tax Revenue Composition, Fiscal Years 2016-2025**
 15. **Table: Components of the Individual Income Tax, Fiscal Years 2016-2025**
 16. **2019-2024 TAX SCHEDULE; ACTUAL 2025-2026 TAX SCHEDULE – ACT 46**
 17. **Table: Individual Income Tax Return Distributional Statistics by Tax Bracket**
 18. **TABLE: TAX YEAR 2026 SYNTHETIC AFTER- CREDIT TAX LIABILITY BY TAX BRACKETS**
 19. **Chart: Average Effective Tax Rates on Taxable Income of Residents by Hawai‘i AGI Class in Tax Year 2023**
 20. **Major Tax-Related Measures Passed by the 2024 Legislature and Enacted into Law**
 - a. Act 46, SLH 2024
 - i. Individual Income Tax Cut
 1. Increases the standard deduction amounts, with amendments taking effect in tax years 2024, 2026, 2028, 2030, and 2031. Act 46 also amends the income tax brackets by increasing the income limits in each bracket, with amendments taking effect in tax years 2025, 2027, and 2029

- b. Act 47, SLH 2024
 - i. GET Exemption
 - 1. Exempts medical services provided by health care providers to patients who receive Medicaid, Medicare, or TRICARE benefits from the general excise tax. Applies taxable years beginning 1/1/2026.
- 21. Details and Statistics on the Estimated Impact of Act 46, SLH 2024, The Tax Cut Bill, in Tax Year 2026**
- 22. Chart and Table: Individual Income Tax Collections, Fiscal Years 2024-2025**
- 23. Chart: Individual Income Tax Collections, Fiscal Years 2024-2026**
- 24. Table: Total State Tax Collections by Source of Revenue, FY 2025**
- 25. Chart: Transient Accommodations Tax Distributions, Fiscal Years 2016-2025**
- 26. Table: Total General Fund Tax Collections by Source of Revenue, FY 2016-2017**
- 27. Table: Total General Fund Tax Collections by Source of Revenue, FY 2024-2025**
- 28. Major Tax-Related Measures Passed by the 2025 Legislature and Enacted into Law**
- a. Act 58, SLH 2025
 - i. Pass-through Entity (PTE) Tax Add-Back
 - 1. Eliminates double benefit by adding PTE credit back to the qualified member's taxable income. Effective on May 15, 2025, and applicable to Tax Year 2025.
 - b. Act 96, SLH 2025
 - i. Transient Accommodation Tax Increase and Imposition on Cruise Ships
 - 1. Increases TAT by 0.75% (climate impact/green fee) and imposes TAT on gross rental proceeds derived from cruise fares. Effective on January 1, 2026 for TY 2026-TY2030.
- 29. Chart and Table: Transient Accommodations Tax Collections, Fiscal Years 2024-2025**
- 30. Chart: Transient Accommodations Tax Collections, Fiscal Years 2024-2026**
- 31. Chart: Transient Accommodations Tax Liability by Tax District, Fiscal Years 2019-2025**
- 32. Chart: Transient Accommodations Tax Liability Composition by Tax District, Fiscal Years 2020-2025**
- 33. Chart: Transient Accommodations Tax Collections, Fiscal Years 2024-2026**
- 34. Chart and Table: General Fund Tax Collections, Fiscal Years 2024-2025**
- 35. Chart: Preliminary General Fund Tax Collections, July to January (7 Months), Fiscal Years 2024-2026**
- 36. Chart and Table: Council on Revenues (COR) General Fund Forecast as of January 2026, Fiscal Years 2024-2032**
- 37. Figure: U.S and Hawaii Local Government Spending by Function, 2014; Table: Median Property Taxes as a Percentage of Median Home Values, U.S. Average versus Hawai'i Counties**

Chair White asked the Commission if there was any discussion regarding the presentation by Dr. Karacaovali.

Mr. Fukunaga asked Dr. Karacaovali if there was more context or data regarding the chart comparing sales tax in other states and GET in Hawai'i and the issue of potential regressivity of taxes given our reliance on GET.

Dr. Karacaovali responded that sales tax and GET comparison and various details about GET have been examined by past TRCs.

Dr. Karacaovali also remarked that the 2015-2017 consultant report focused purely on regressivity of the taxes, especially GET and the consumption taxes, and how regressive they were or not.

Vice-Chair Chock followed up by asking Dr. Karacaovali how inflation adjustment was considered when he presented his estimates on the distributional impacts of the individual income tax cuts.

Dr. Karacaovali said that the growth rate in total personal income, which includes inflation, is taken into account in his simulations and noted that generally, personal income growth tends to exceed inflation.

Chair White asked Dr. Karacaovali regarding the TAT graphs if he had any indication why the TAT increased significantly after the COVID-pandemic years compared to the pre-pandemic era despite no change in rates.

Dr. Karacaovali thinks the increase could have been due to better tax administration and increased taxpayer awareness and compliance in addition to the impact of inflation on accommodation prices.

Ms. Katakura asked if the spike in the TAT rates had any impact on tourism.

Dr. Karacaovali said that the TAT rates have not changed since 2018 and was only recently increased by 0.75% as of 2026. However, he also acknowledged that there was no county TAT before 2021 so with the additional 3% county-level TAT on top of State TAT, this may be the last time we see a raise in TAT rates for a while.

DISCUSSION ON POTENTIAL THEMES FOR COMMISSION TO FOCUS ON

Chair White asked whether any Commission members had a topic, project, or preferred tax type that could serve as a potential theme for the Commission to focus on.

Ms. Enos suggested reviewing tax credits in relation to the purposes they were intended to accomplish.

Dr. Karacaovali noted that DOTAX publishes an Annual Tax Credits Report, but acknowledged that it is primarily statistical in nature.

Mr. Fukunaga asked whether the Legislature would benefit from a framework to evaluate tax credits, as opposed to reviewing individual credits in isolation.

Dr. Karacaovali indicated that legislation has been introduced requiring all new tax credits to include a sunset provision, and for existing credits to be renewed or re-evaluated every five years.

Chair White suggested that the Commission review the credits referenced by Ms. Enos, which could in turn help the Commission develop a framework as suggested by Mr. Fukunaga.

Mr. Fukunaga also proposed examining statewide tax competitiveness and climate change resilience as potential topics for review.

Ms. Katakura expressed interest in how tax policy can influence the affordability of housing in Hawai'i.

Chair White highlighted two resolutions—one from the House and one from the Senate—concerning long-term healthcare financing, noting that this might be another topic for the Commission to consider.

DISCUSSION ON HIRING OF CONSULTANTS

Chair White started the discussion for the hiring of consultants by referencing the Principles of Sound Tax Policy mentioned earlier in the meeting by Chair White and written by Don Rousslang.

Chair White suggested to the Commission potentially hiring Don Rousslang to refresh and update his 2015-2017 TRC study titled “Principles of Sound Tax Policy”.

Dr. Karacaovali stated that if the Commission wants to go forward with hiring of consultants, he would check with his fiscal staff for procedures to procure a consultant.

Chair White asked the Commission about their thoughts on hiring a consultant.

The Commission members all agreed that a consultant should be hired once the decision to finalize themes has been made by the Commission.

Attorney General Deputy Johiro suggested a vote be taken for the hiring of a consultant.

The Commission clarified that no motion should be taken as the Commission is just discussing hiring a consultant and no consultant has been selected.

Mr. Ueoka asked Dr. Karacaovali about time frame when procuring a consultant.

Dr. Karacaovali said that he will get back to the Commission members with that information at the next meeting.

DISCUSSION ON THE NEXT MEETING AGENDA

The Tax Review Commission agreed to meet on Tuesday, March 17, 2026, at 2:00 p.m. It will be a virtual meeting.

A motion was made by Ms. Enos to meet on Tuesday, March 17, 2026, at 2:00 p.m. via virtual meeting Mr. Ueoka seconded the motion. The Chair called for the vote and the motion passed with the following votes:

Mr. Jonathan White	Yes
Ms. Judith Chock	Yes
Ms. Jessica Enos	Yes
Mr. Mark Fukunaga	Yes
Ms. Stacey Katakura	Yes
Mr. Jeffrey Ueoka	Yes
Mr. Jon Yasuda	Yes

ADJOURNMENT:

The Chair White adjourned the meeting at 3:49 p.m.