

**TAX REVIEW COMMISSION 2025-2027**

**Meeting Minutes,**  
**Tuesday, March 17, 2026**

Virtual Meeting

Meeting was held virtually and video recorded.

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

Tuesday, March 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 2:02 p.m. A quorum was present.

**Roll Call:**

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

**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.

**MINUTES OF THE MEETING OF FEBRUARY 17, 2026**

Chair White called for a motion to approve the minutes.

**It was moved by Ms. Enos and seconded by Ms. Katakura that the minutes of the February 17th meeting be accepted. The Chair called for the vote, and the motion passed with the following votes:**

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

**REPORT FROM TRC CHAIR JONATHAN WHITE ABOUT THE PRINCIPLES OF SOUND TAX POLICY DOCUMENT AND POTENTIAL CONSULTANT**

Chair White reported to the Commission regarding his contact with the author of the Principles of Sound Tax Policy document from the 2025-2017 Commission who was amenable to update it.

However, Chair White informed the Commission that he thought it was more expedient to focus on the main consultant question and the RFP and put off pursuing this matter for the time being.

**DISCUSSION OF THE GET PRESENTATION AND SLIDES FROM FORMER TAX RESEARCH & PLANNING OFFICER DR. SETH COLBY TO THE 2020-2022 TAX REVIEW COMMISSION ON 12/16/2020:**

Chair White opened the discussion by highlighting the Pew Charitable Trust data on State tax revenue volatility and how Hawai'i scored pretty well.

Chair White also highlighted the State GET rate, which does not include county rates, and stated that the GET has remained flat while other States' rates have gone up (from Dr. Seth Colby's GET Presentation Slides.)

Presentation Slides of Dr. Seth Colby from the 2020-2022 TRC Meeting on 12/16/2020:  
[https://files.hawaii.gov/tax/stats/trc/docs2022/sup\\_201216/GET\\_presentation.pdf](https://files.hawaii.gov/tax/stats/trc/docs2022/sup_201216/GET_presentation.pdf)

Mr. Fukunaga provided his thoughts on the 2015-2017 TRC's main consultant report and claimed that the study failed to assess how regressive or progressive Hawaii's taxes were and that they looked at it without a lot of context. He suggested a comparison with practices in other states, which for instance, exempt groceries from sales tax.

### **PRESENTATION BY DR. BAYBARS KARACAOVALI ON TAX CREDITS**

Dr. Karacaovali prepared a presentation for the Commission regarding Tax Credits which provided the following information:

1. Background Information on Tax Credits
  - a. Tax credits reduce taxpayer's tax liability including Hawaii's individual and business income taxes, the tax on insurance premiums, or the tax on public utilities.
  - b. Tax credits subtracted directly from the tax liability, so they reduce the amount of taxes dollar-for-dollar: More valuable than ordinary deductions which only reduce taxable income.
2. Figure 1 – Distribution of Tax Credit Amounts by Taxpayer Type in Tax Year 2023 – Pie Chart
3. Figure 2 – Amount of Tax Credits as a Proportion of Total Tax Liability by Taxpayer Type in Tax Year 2023 – Bar Graph
4. Figure 4 – Amount of Tax Credits by Purpose of the Tax Credit in Tax Year 2023 – Pie Chart
5. Past Tax Review Commissions Argue
  - a. Tax exemptions and credits shrink tax base
  - b. Results in higher tax rates on the remaining tax base:
    - i. Makes the tax less efficient (from an economic standpoint)
    - ii. Frequently makes it less equitable
6. Background Information on Tax Credits (Cont.)
  - a. Tax credits may be refundable or nonrefundable
    - i. Nonrefundable: tax benefit up to taxpayer's liability
    - ii. Refundable: full amount guaranteed even with zero/negative liability (effectively a subsidy, e.g. film credit, food/excise tax credit)
7. Figure 3 – Amount of Tax Credits Claimed by Individuals as a Proportion of Their Total Tax Liability by Income Class in Tax Year 2023 – Chart

- 8. Distribution of Tax Credits in Tax Year 2023 – Table 4**
- 9. Distribution of Tax Credits in Tax Year 2023 (Cont.)**
  - a. Tax Credits to Encourage Certain Industries or Economic Activities
    - i. Motion Picture, Digital Media, and Film Production Income Tax Credit
    - ii. Renewable Energy Technologies Income Tax Credit
- 10. Distribution of Tax Credits in Tax Year 2023 (Cont.)**
  - a. Tax Credits to Avoid Double Taxation or Pyramiding of Taxes
    - i. Capital Goods Excise Tax Credit
    - ii. Income Tax Paid to Another State or Foreign Country Pass-Through Entity (PTE) Tax Credit
- 11. Past TRC Recommendations-Sunset and Review:**
  - a. 2005-2007 TRC: Include a sunset date that will trigger a review of whether the tax credit or exemption should be continued
  - b. By reviewing the tax credits and exemptions, the State can ensure that they are meeting the goals of the State
- 12. Status Check**
  - a. Some tax credits enacted with sunset dates and some repealed
  - b. Some repealed credits replaced with alternatives
  - c. For the 6 expired tax credits between 2003-2010 and 1 in 2016, excess credits from prior years could be carried over to subsequent years indefinitely and they continue to be claimed as of Tax Year 2023
  - d. Number of tax credits expanded over the years peaking at 22 tax credits as of Tax Year 2023
- 13. Summary of Recommendations by Tax Review Commissions**
  - a. Overhaul The Business Incentive Tax Credit Process
    - i. Overhaul and update the capital goods excise tax credit (1995 -1997)
    - ii. Conduct a cost-benefit study prior to enacting or revising a tax credit program (2001-2003)
    - iii. Require periodic evaluations of all tax incentive programs (2001-2003; 2005-2007)
    - iv. Require beneficiaries of tax incentive programs to file truth and disclosure reports separately and apart from tax returns and make all aspects of the subsidies public (2001-2003; 2005-2007)
    - v. Embed tax incentives in strategic plans to leverage scarce State resources (2001-2003)
    - vi. Encourage public participation in and comment on tax incentive use to foster public accountability (2001-2003)
- 14. Past TRC Recommendations-Business Tax Credits:**
  - a. 2001-2003 TRC: State must require accountability for all business tax incentives and ensure that the targeted tax incentive goes through a legislative process where there is accountability for the tax benefit both at the Legislature and through enforcement by DOTAX or some other agency

- b. 2020-2022 TRC: Recommends requiring public disclosure of the identity of the claimant and amount of credit claimed for all existing and new business incentive income tax credits

**15. Status Check**

- a. Sunset provisions and reporting requirements have been incorporated into some business incentive tax credits
  - i. E.g. the motion picture, digital media, and film production income tax credit (film credit), tax credit for research activities, and renewable fuels production tax credit

**16. Relevant Legislation-Tax Credits**

- a. Act 261, SLH 2016 required the State Auditor to periodically review certain tax exemptions, exclusions, and credits under the GET and use tax, (chapters 237 and 238, HRS), public service company tax (chapter 239, HRS) and insurance premium tax (chapter 431, HRS), beginning in 2018
- b. Tasks such as
  - i. Determine/estimate the amount of tax expenditure of exclusions, exemptions, credits
  - ii. Determine if they achieved or continue to achieve Legislature's purpose in enacting them
  - iii. Tax equity and efficiency
  - iv. Determine any economic benefits
  - v. Determine any annual costs
  - vi. Recommend whether they should be retained without modification, amended, or repealed

**17. Office of the Auditor Webpage**

- a. <https://auditor.hawaii.gov/tax-reviews/>

**18. January 2026 Report**

- a. Specifically, for 2024 and every fifth year thereafter, Section 23-96, HRS, requires the review of the following income tax incentives
  - i. Credit to promote the purchase of child passenger restraint systems (Section 235-15, HRS)
  - ii. Credit for employment-related expenses for household and dependent care services (Section 235-55.6, HRS)
  - iii. Credit for a low-income household renter (Section 235-55.7, HRS)
  - iv. Credit for food and excise tax (Section 235-55.85, HRS)
- b. <https://files.hawaii.gov/auditor/Reports/2026/26-02.pdf>

**19. December 2023 Report**

- a. We determined that six provisions accomplish their purposes and one does not, but were unable to determine whether three other provisions achieved the primary purposes for which they were adopted
- b. The inability to draw conclusions with respect to those three provisions stemmed primarily from a lack of data regarding their utilization

- c. <https://files.hawaii.gov/auditor/Reports/2023/23-15.pdf>
20. December 2023 Report (Cont.)
  - a. Determining whether purposes have been met was also frustrated by a lack of claim tracking or statutorily identified benchmarks or metrics
  - b. With respect to some provisions, it was difficult to determine what outcomes the Legislature intended to achieve, as there is no clear indication from underlying bills or their Legislative histories
  - c. <https://files.hawaii.gov/auditor/Reports/2023/23-15.pdf>
21. December 2023 Report (Cont.)
  - a. We recommend that other state agencies be tasked with performing cost-benefit analyses of the commercial fisher fuel tax credit (Section 235-110.6, HRS) and the Enterprise Zone credit (Section 209E-10, HRS)
  - b. <https://files.hawaii.gov/auditor/Reports/2023/23-15.pdf>
22. December 2023 Report (Cont.)
  - a. While independent, objective, and well-suited to conduct performance audits and studies on the effectiveness of agency operations, we do not have ready access to the specialized economic data and other resources necessary to conduct a thorough cost-benefit analysis of either credit
  - b. <https://files.hawaii.gov/auditor/Reports/2023/23-15.pdf>
23. Income Tax Credit for a Qualified Business in an Enterprise Zone (Section 209E-10, HRS)
  - a. <https://files.hawaii.gov/auditor/Reports/2023/23-15.pdf>

### **INFORMATION FROM BAYBARS KARACAOVALI ON TIMELINE AND REQUIREMENTS FOR HIRING OF CONSULTANTS**

Dr. Karacaovali prepared a presentation for the Commission information regarding Timeline and Requirements for Hiring of Consultants:

1. Procurement Process: Competitive Sealed Bidding
  - a. Would need to **post a Request for Proposals (RFP) for a minimum of 30 calendar days**
  - b. There is an **evaluation committee** to review the proposals
  - c. **Winner based on a set of criteria that TRC determines including price**
  - d. Highest score gets the award
2. Procurement Process: Competitive Sealed Bidding (Cont.)
  - a. Evaluation committee needs a minimum of three government employees with sufficient qualifications to evaluate the proposals received
  - b. Emill Acosta (Fiscal & Budget Program, Administrative Services Office, DOTAX) will be the contract administrator
  - c. Two more government employees: Myself (Baybars Karacaovali) and Sisi Zhang, Ph.D. (Economist at TRP)

- d. Ideally need two members from TRC: TBD
3. Procurement Process: Competitive Sealed Bidding (Cont.)
  - a. The consulting firm that is chosen will enter into a contract with DOTAX
  - b. The Attorney General's Office will also need to review and sign the contract
4. Timeline
  - a. Posting RFP ideally by early April for a vendor starting on July 1<sup>st</sup>
  - b. **Sample Timeline**
    - i. April 6 – Post RFP
    - ii. May 11 – Proposals Due
    - iii. May 25 – Notice of Award to Vendor
    - iv. June 15 – Fully Executed Contract, Vendor to Start July 1
5. Past Example: Exemption from Procurement
  - a. Pursuant to HRS103D-102(b)(3) procurement of goods, services, or construction from a government body other than the University of Hawaii bookstores, from the federal government, or from another state or its political subdivision is **exempt from the Procurement Code**. This is provided that TRC is paying the UH (or other government body) for services and not the person as an individual entity

### DISCUSSION ON HIRING OF CONSULTANTS

Chair White asked the Commission members if there were any questions regarding timeline and requirements for hiring of consultants.

Mr. Fukunaga asked Dr. Karacaovali to clarify consultants or agencies that would be exempt from the consultant procurement regulations.

Mr. Fukunaga used UHERO as an example and asked if UHERO would be exempt from the procurement regulations.

Dr. Karacaovali responded that if the monies directly go to UHERO, that would be correct, but if the TRC is hiring of a specific person working for UHERO that would need to go through the procurement process.

Chair White asked Dr. Karacaovali, with regards to the evaluation committee selected to hire the consultant, whether the committee's role would be done done or would it have a contract management role.

Dr. Karacaovali said he believes that their role would be over, while stating that the committee's main task was to evaluate.

Chair White then asked for a motion for the TRC to pursue one or more consultants with the exact topics and scope to be decided later.

Ms. Katakura moved that the TRC pursue one or more consultants with exact topics and scope to be decided later.

Mr. Ueoka seconded the motion.

Chair White next asked if any two Commission members would be willing to be part of the evaluation committee as required for procurement regulation of consultants.

Chair White suggested Vice-Chair Chock and Mr. Fukunaga volunteered.

Vice-Chair Chock and Mr. Fukunaga agreed to serve on the evaluation committee.

**It was moved by Ms. Katakura and seconded by Mr. Ueoka that the TRC pursue one or more consultants with exact topics and scopes to be decided later. The Chair called for the vote, and the motion passed with the following votes:**

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

### **10 MINUTE BREAK**

Chair White called for a 10-minute break and asked each Commission to turn off their microphones, turn off their cameras, and avoid discussing any TRC business during the 10-minute break.

### **INTRODUCTION OF POTENTIAL THEMES AND TOPICS FOR COMMISSION TO FOCUS ON**

Chair White started the discussion by sharing the potential themes and topics raised during the Commission's previous meeting on February 17, 2026.

1. Tax Credits and Exemptions

2. Framework to evaluate tax credits
3. Regressivity
4. Competitiveness of the tax system
5. Wealth tax
6. Climate change resilience
7. Policy shaping housing affordability

Chair White asked the Commission for any reactions to the list or if there were any additions needed for their list.

Mr. Fukunaga asked Chair White whether the Commission's RFP would be covering all the topics mentioned.

Chair White responded that it would not, and that he thought the Commission should discuss and narrow down the topics.

Chair White asked if the Commission would like to pursue a consultant for regressivity based on their discussions.

Mr. Fukunaga suggested that regressivity in general had been studied by previous commissions and thought that a consultant would not be needed to pursue this line of reasoning.

Mr. Fukunaga suggested maybe exploring a grocery exemption and an over-the-counter drug exemption.

Chair White asked Dr. Karacaovali if a consultant is needed or if the TRP staff can research the following:

1. Pure revenue impact of a grocery exemption and an over-the-counter drug exemption
2. Impact on the regressivity of the GET

Dr. Karacaovali responded that the TRP's function is to provide any tax data and technical expertise for the Commission as requested.

Dr. Karacaovali further noted that the TRP office can provide revenue estimates of factual things like individual income tax cuts, their pause, different modifications, etc. However, Dr. Karacaovali also stated that the TRP office does not offer any opinions about any policy change as that would be the purview of the Commission.

Mr. Fukunaga then shared his thoughts on competitiveness of the tax system as compared to the other 49 U.S. states in terms of business activity and revenue for the State.

Chair White agreed with Mr. Fukunaga and indicated that he could envision the opportunity for a consultant to be very creative.

Chair White moved down the list to other potential themes and topics.

The Commission discussed briefly the issue of taxation treatment of pensions and retirement benefits in Hawai'i.

Chair White said that the Commission should continue this discussion later.

Chair White continued to the next line on the agenda due to time constraints.

**DISCUSSION ON LONG-TERM CARE FINANCING TOPIC AND CURRENT LEGISLATIVE BILLS (H.B. 1804/S.B. 2554):**

Chair White gave a brief update regarding bill HB 1804 and invited the Commission members to its hearing on March 18, 2026, at 1:00 P.M.

**DISCUSSION ON POTENTIAL IN-PERSON MEETINGS**

Chair White decided to save this discussion for another meeting unless there was any objection.

**SCHEDULING OF THE NEXT MEETING**

The Tax Review Commission agreed to meet on Wednesday, April 1, 2026, at 2:00 p.m. It will be a virtual meeting.

**A motion was made by Ms. Enos to meet on Wednesday, April 1, 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:**

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

**DISCUSSION ON THE NEXT MEETING AGENDA**

The Tax Review Commission agreed to meet to finalize the questions for potential consultants to start the procurement process.

**ADJOURNMENT:**

The Chair White adjourned the meeting at 4:03 p.m.