

TAX REVIEW COMMISSION 2025-2027

Meeting Minutes, **Tuesday, June 16, 2026**

The meeting was held both in person and virtually at the same time. It was also video recorded.

Recorded Video Link: <https://www.youtube.com/watch?v=8fPXR5w6Y4I>

Tuesday, June 16, 2026

2:30 p.m.

PRESENT:

Commission Members:

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

Staff Members:

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

Attorney General's Office:

Deputy Attorney General Michael Dunford (virtually)

Special Guests:

John M. Knox, Ph.D.

Presenter:

Nick Johnson (virtually), Senior Fellow, Institute on Taxation and Economic Policy (ITEP)

CALL TO ORDER

Chair White called the meeting to order at 2:30 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

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 MAY 26, 2026

Chair White asked the Commission if there were any changes to the May 26, 2026, minutes.

Chair White asked if there were any objections; hearing none, the minutes were approved by acclamation.

VIRTUAL PRESENTATION BY NICK JOHNSON, INSTITUTE ON TAXATION AND ECONOMIC POLICY (ITEP), FOLLOWED BY TIME FOR COMMENTS:

Mr. Nick Johnson, Senior Fellow at the Institute on Taxation and Economic Policy (ITEP), provided a brief presentation titled “Regressive Taxation in Hawai‘i”, as summarized below:

1. Regressive Taxation in Hawai‘i
 - a. Why consider tax regressivity?
 - b. How does Hawai‘i measure up?
 - c. How could Hawai‘i improve?
2. Share of Income Paid in Taxes
 - a. Poorer > Richer
 - b. Poorer = Richer
 - c. Poorer < Richer
3. Regressive Tax Systems
 - a. Strike most people as unfair
 - b. Deepen the divide between the wealthy and the poor

- c. Perform poorly at raising revenue
 - d. Hit people when they're down
- 4. ITEP Microsimulation Tax Model
 - a. Microsimulation models are used by various federal and state tax agencies and private-sector organizations
 - b. ITEP's model includes data for all 50 states plus DC
 - c. Covers 99.5% of all taxes
 - d. We have four modules: personal income tax, consumption tax, property tax, business tax
 - e. Data from IRS, Census, BLS, state tax departments, CBO, JCT, etc.
 - f. Used to estimate revenues and analyze economic incidence
- 5. Who Pay? Hawai'i - Total Taxes (Share of Family Income) – Bar Graph
- 6. Hawai'i – Personal Income Taxes (Share of Family Income) – Bar Graph
- 7. 18 States Apply Negative Income Tax Rates for Some Low-Income Earners
 - a. Average state personal income tax rate, relative to income, for bottom 20% of earners (omits sales, excise, property, and other taxes)
- 8. Hawai'i – Sales & Excise Taxes (Share of family income) - Bar Graph; Hawai'i – Property Taxes (Share of family income) – Bar Graph
- 9. Hawai'i State and Local Tax Shares of Family Income in 2024 – Non-elderly State Residents – Table
- 10. Act 46 and SB 3125: Distributional Impact in 2031 Compared to 2026 Policy: Average tax change by dollar amount – Bar Graph
- 11. Act 46 and SB 3125: Distributional Impact in 2031 Compared to 2026 Policy – Average tax change as a percentage of income – Bar Graph
- 12. Strategies to address regressivity
 - a. Increase tax credits for low-and middle-income families to offset sales/excise taxes
 - b. Review existing tax breaks for profitable corporations and high-income people
 - i. Are they truly supporting economic development and investment?
 - ii. Could their repeal simplify the tax system& increase fairness?
 - c. Evaluate the distributional implications of your recommendations, both individually and as a package
 - i. ITEP can help
- 13. Specific policies to consider
 - a. Enact a Child Tax Credit
 - b. Expand Earned Income Tax Credit
 - c. Repeal the “QSBS” exemption
 - d. Tax Real Estate Investment Trusts
 - e. Reduce use of tax shelters with Worldwide Combined Reporting
 - f. Tax capital gains income at the same rate as labor income

The presentation slides are available on the Tax Review Commission website:
[https://files.hawaii.gov/tax/stats/trc/docs2025/2026-06-16 Regressivity ITEP presentation HI TRC.pdf](https://files.hawaii.gov/tax/stats/trc/docs2025/2026-06-16%20Regressivity%20ITEP%20presentation%20HI%20TRC.pdf)

TRC DISCUSSION REGARDING THE REGRESSIVITY AND/OR TAX PYRAMIDING TOPICS

Chair White transitioned into the next agenda item by asking the Commission if there were any questions regarding Mr. Johnson's presentation.

Mr. Fukunaga asked Mr. Johnson if there was a way to rank the regressivity of a state tax system vis-a-vis the other 50 states.

Mr. Johnson responded that although he did not have the actual ranking in front of him, Hawaii he believes was ranked in the middle, at around 22nd least regressive.

Mr. Fukunaga continued by asking if the 99.5% of all state taxes mentioned in Mr. Johnson's presentation included everything such as cigarettes, liquor, gas, etc. in their consumption modeling used.

Mr. Johnson said yes, they use the Bureau of Labor statistics data on average consumption by households and adjusted for Hawaii economy. They are able to model not only the incidence of general consumption taxes but also the specific excise taxes such as fuel, gasoline, cigarettes and all others.

Mr. Fukunaga also asked if estate taxes and car registration fees are included in their model.

Mr. Johnson replied that vehicle transfer taxes and fees certainly are. Estate taxes are included but noted that they are small in the sense that they only apply to those households that pass away in a particular year and they do not represent a big chunk of the state taxes although they certainly are highly progressive.

Dr. Karacaovali provided a comment regarding the presentation slide excluding elderly taxpayers. Dr. Karacaovali stated that Hawaii does not tax Social Security or pension income which would make the model look more progressive if the elderly were included.

Mr. Johnson responded that the challenges with including Hawaii in his presentation from a technical standpoint have to do with different income brackets because families with children living in the house would tend to have higher income compared to typical elderly families which would normally be downsized.

Mr. Johnson, however, noted that exempting certain kinds of retirement income can make the tax system more progressive but on the other hand a lot of senior citizens are benefiting from the preferential tax rate for capital gains.

Mr. Johnson also stated that the slide presentations are all non-elderly tax filing units because it becomes a different exercise when trying to analyze the income and the taxes of seniors.

Dr. Karacaovali asked Mr. Johnson what their measure of income was. Mr. Johnson replied that it's broader than adjusted gross income but something closer to true economic income where they are adding a range of sources of income including everything like government transfers but income like cash assistance that is not subject to tax at all.

Dr. Karacaovali expressed that the elderly Hawaii adjusted gross income (AGI) would be zero and would not be taxed.

Ms. Chock asked Mr. Johnson if he would be able to provide the age group of the population to see what percentage of the population in Hawaii was included in their study.

Mr. Johnson did not currently have that information for Ms. Chock.

Ms. Enos had another question for Mr. Johnson about the Hawaii state and local tax shares in family income and how that chart breaks out general sales, other sales and excise tax and sales and excise.

Mr. Johnson responded that there are a few things going on and noted:

1. that a lot of low-income folks are spending more than they are getting in income
2. some of the GET is applied to purchases between businesses and those businesses build that into the sales price of the goods they end up sending onto consumers
3. gasoline taxes, other excise taxes such as vehicle transfer fees, business license fees, and so on that end up getting passed through to consumers

Ms. Enos asked Mr. Johnson if the adjustment for GET rate of 0.5% for wholesale transactions is made and whether the fact that it is passed on to consumers at the 4.712% rate (even though GET rate is 4.5%) taken into consideration.

Mr. Johnson replied that that their model does account for that adjustment and that the model is calibrated to make sure they're matching up with reports from the Department of Taxation that show how much revenue is collected from different taxes.

Chair White asked the Commission members if there were any other questions. There were no more questions. Therefore, Chair moved on to the next agenda line item.

UPDATE FROM THE EVALUATION COMMITTEE REGARDING THE HIRING OF CONSULTANTS:

Chair White asked the evaluation committee members if there were any updates regarding hiring of consultants.

Dr. Karacaovali stated that he had spoken with Dr. Carl Bonham, the Executive Director of UHERO, and Dylan Moore, an Economist at UHERO, who Dr. Karacaovali has worked with in the past doing academic research.

Dr. Karacaovali also informed the Commission that UHERO will be preparing a proposal to be able to address topics 1 and 2 for the Commission.

Chair White asked Dr. Karacaovali what needs to be done with the current posting for the hiring of consultants.

Dr. Karacaovali replied that after discussion with the DOTAX fiscal team, he was informed that the posting can be withdrawn while noting that there have not been any inquiries up to that date.

CONTINUED DISCUSSION REGARDING THE APRIL 27, 2026 LEGISLATIVE HEARING

Chair White started the discussion by addressing a previous item with regards to reaching out to the Legislature.

Chair White suggested that the Commission could reach out to both the Senate Ways and Means and House Finance chairs and offer to meet them as a courtesy.

The Commission all agreed with the suggestion by Chair White.

Chair White and Vice-Chair Chock volunteered to reach out to each office and will update the Commission at their next meeting.

DISCUSSION ON THE NEXT MEETING AGENDA AND SCHEDULING THE NEXT MEETING

Chair White indicated that he would try to get another speaker to talk on the regressivity & tax pyramiding topic, albeit from a different perspective, in the next meeting.

Chair White also brought up a previous topic of retirement income and asked Mr. Yasuda and Ms. Enos if they would lead that topic at their next meeting, who agreed. Dr. Karacaovali stated that he would report back about what type of DOTAX data are available regarding this topic.

Chair White asked the Commission if there were any other in-house topics that the Commission would like to address.

It was agreed that the Commission would brainstorm coming up with a framework to evaluate tax credits and exemptions.

Ms. Enos suggested a discussion based on the observation that a lot of U.S. states were moving from a 3-factor apportionment to single-factor apportionment based on sales (therefore removing payroll and property as apportionment factors).

Mr. Yasuda suggested formalizing or making more public a voluntary disclosure program for things like GET and income tax.

Finally, setting the date of the last meeting before the TRC Final report submission deadline of December 21, 2026, is to be discussed at the next meeting.

The Tax Review Commission agreed to meet on Tuesday, July 14, 2026, at 2:00 p.m. It will be a virtual meeting.

ADJOURNMENT:

Chair White adjourned the meeting at 4:11 p.m.