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HOUSE COMMITTEE ON FINANCE

TESTIMONY OF THE DEPARTMENT OF TAXATION REGARDING HB 1319 RELATING TO PROGRESSIVE TAX REFORM TASK FORCE

TESTIFIER: FREDERICK D. PABLO, INTERIM DIRECTOR OF
TAXATION (OR DESIGNEE)

COMMITTEE: FIN

DATE: FEBRUARY 15, 2011

TIME: 3:30PM

POSITION: SUPPORT INTENT; CONCERNS

This measure establishes a progressive tax reform task force within the Department of Taxation (Department).

The Department supports the bill's intent of ensuring a progressive tax structure for the people of Hawaii. However, the Department believes this task may be better suited for the Tax Review Commission. The Tax Review Commission is authorized by the Hawaii Constitution to "submit to the legislature an evaluation of the State's tax structure [and] recommend revenue and tax policy[.]" The Tax Review Commission consists of seven members appointed by the Governor with the consent of the Senate, and is based in the Department for administrative purposes. The Tax Review Commission is currently formed every five years and was scheduled to begin last year. Unfortunately the current Tax Review Commission lacks a quorum because not enough members have been appointed. The Department suggests utilizing the Tax Review Commission for this task rather than creating a new task force.

TAXBILLSERVICE

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SUBJECT: INCOME, Progressive reform task force

BILL NUMBER: SB 1203; HB 1319 (Identical)

INTRODUCED By: SB by Galuteria; HB by Say by request

BRIEF SUMMARY: Establishes a progressive tax reform task force within the department of taxation for administrative purposes. The task force shall: (1) identify the steps needed to reform Hawaii's tax laws in order to create a more balanced and progressive tax structure; and (2) be a permanent resource to assist the director of taxation in creating a consistent, fair, and uniform tax structure in Hawaii. Requires the task force to submit a report of its findings and recommendations to the 2012 legislative session.

The progressive tax reform task force shall consist of the following members: (1) two members to be appointed by the governor; (2) two members of the senate, to be appointed by the president of the senate; (3) two members of the house of representatives, to be appointed by the speaker of the house of representatives; (4) the director of taxation or the director's designee; (5) one member from the Legal Aid Society of Hawaii; and (6) one member from the Tax Foundation of Hawaii.

EFFECTIVE DATE: Upon approval

STAFF COMMENTS: While this measure proposes to establish a task force to identify the steps needed to reform Hawaii's tax structure to make it more balanced and progressive, this could be an undertaking of the Tax Review Commission that is required to convene every five years and conduct a systematic review of the state's tax structure using such standards as equity and efficiency.

Digested 2/14/11

Natalie J. Iwasa, CPA, Inc.
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TO: Committee on Finance

HEARING

DATE: Friday, February 15, 2011, 3:30 p.m.

FROM: Natalie Iwasa, CPA

RE: HB 1319 Establishing a State Tax Reform Task Force - COMMENTS

Aloha Chair Oshiro, Vice Chair Lee and Members of the Committee,

This bill would establish a state task force under the department of taxation to identify steps needed to reform Hawaii's tax laws to create a balanced and progressive tax structure. The Tax Review Commission convenes every five years to conduct a "systematic review of Hawaii's tax structure, using standards such as equity and efficiency."¹

How will a new tax reform task force differ from the review commission? The last review report was for 2005 - 2007. If a tax reform task force is brought together, do we still need to have the Tax Review Commission. Please consider these questions before voting on this measure.

¹State of Hawaii Department of Tax website, http://www.state.hi.us/tax/a9_2trc.htm.