

NEIL ABERCROMBIE  
GOVERNOR

BRIAN SCHATZ  
LT. GOVERNOR



STATE OF HAWAII  
**DEPARTMENT OF TAXATION**  
P.O. BOX 259  
HONOLULU, HAWAII 96809  
PHONE NO: (808) 587-1530  
FAX NO: (808) 587-1584

FREDERICK D. PABLO  
INTERIM DIRECTOR OF TAXATION

RANDOLF L. M. BALDEMOR  
DEPUTY DIRECTOR

To: The Honorable David Ige, Chair  
And Members of the Senate Committee on Ways and Means

Date: February 7, 2012  
Time: 9:15a.m.  
Place: Conference Room 211, State Capitol

From: Frederick D. Pablo, Director  
Department of Taxation

Re: S.B. 2869 Relating to Tax Review Commission

The Department of Taxation (Department) supports S.B. 2869.

S.B. 2869 requests, on behalf of the 2010-2012 Tax Review Commission (TRC), an extension of time to report its findings back to the State Legislature. Specifically, Section 232E-3, Hawaii Revised Statutes, requires the 2010-2012 TRC to report thirty days prior to the convening of the regular legislative session of 2012; this measure asks that they be permitted to report back thirty days prior to the 2013 regular legislative session. Additionally, the TRC requests an additional \$100,000 for fiscal year 2011-2012 to fully fund the study which the TRC intends to complete.

Pursuant to Article VIII, Section 3 of the Hawaii State Constitution and Section 232E-2, Hawaii Revised Statutes, the 2010-2012 TRC should have been appointed on or before July 1, 2010. However, by July 1, 2010, only two members had been appointed and confirmed. Therefore, as of July 1, 2010, the Tax Review Commission could not meet, nor could it act upon its charge, due to a lack of quorum.

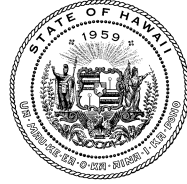
To date, three members of the 2010-2012 Tax Review Commission have been confirmed by the Senate; the other four are interim members pending confirmation. The first meeting with a full slate of seven confirmed and interim members, was held on July 15, 2011, approximately one year behind schedule.

The Commission currently has a budget of \$200,000 for fiscal year 2010-2011. Having additional time and money will give the Tax Review Commission the opportunity to complete a more extensive review of State tax structure as required under Chapter 232E, HRS.

Thank you for the opportunity to provide comments.

NEIL ABERCROMBIE  
GOVERNOR

BRIAN SCHATZ  
LT. GOVERNOR



STATE OF HAWAII  
**TAX REVIEW COMMISSION**  
P. O. Box 259  
HONOLULU, HAWAII 96809

RANDALL Y. IWASE  
Chair  
MITCHELL A. IMANAKA  
Vice-Chair

**Members**

Roy K. Amemiya, Jr.  
Peter S. Ho  
Michael T. McEnerney  
Darryl K. Nitta  
Gregg M. Taketa

To: The Honorable David Ige, Chair  
and Members of the Senate Committee on Ways and Means

Date: Tuesday, February 7, 2012  
Time: 9:15 a.m.  
Place: Conference Room 211, State Capitol

From: Randall Y. Iwase, Chair  
Tax Review Commission

**Re: S.B. 2869 Relating to Tax Review Commission**

The Tax Review Commission (TRC) supports S.B. 2869.

S.B. 2869 extends the reporting date of the 2010-2012 TRC to thirty days prior to the convening of the regular session of 2013 and requests an additional \$100,000 for fiscal year 2011-2012.

Article VIII, section 3, of the Hawaii State Constitution and section 232E-2, Hawaii Revised Statutes requires that the TRC be constituted in 2010. However, by July 1, 2010, only two members had been appointed and confirmed. The third member was confirmed on May 3, 2011. Due to lack of a quorum, the TRC could not meet. The rest of the members were appointed on May 6, 2011 and June 16, 2011. The TRC held its first meeting on July 15, 2011, a year later than the TRC would have met if a quorum had been appointed by July 1, 2010. Due to its late start, the TRC respectfully requests additional time to carry out its duties.

The budget for the 2005-2007 TRC was \$235,000 which allowed it to hire a temporary full time staff of three - a technical coordinator, a secretary, and a research analyst. Additionally, they were able to rely on some personnel from the Department of Taxation (Department) to provide some measure of support to assist the 2005-2007 TRC in pursuing its studies and evaluation of the State tax code. The 2010-2012 TRC's budget is \$200,000 for FY 2010-2011. We do not have funds and ability to hire a temporary full time staff. Moreover, budget cuts to the Department have made it difficult to provide needed staffing support in lieu of a full time staff to the Commission. Parenthetically, we understand that the 1989 TRC likely had a budget of over \$400,000. We fully understand the State's current budget issues. We will do the very best that we can with what we have. However, the increased funding will provide the TRC with the additional resources it needs to conduct the kind of comprehensive evaluation and report which I think you want us to do and which is envisioned by our Constitution and State Statute.

Thank you for the opportunity to provide testimony in support of this bill.

# TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: TAX REVIEW COMMISSION, Extend reporting date

BILL NUMBER: SB 2869; HB 2607 (Identical)

INTRODUCED BY: SB by Tsutsui by request; HB by Say by request

BRIEF SUMMARY: Amends HRS section 232E-3 to provide that the Tax Review Commission appointed on or before July 1, 2010 or the successor commission intended to function before the appointment of a new commission on July 1, 2015, shall submit the required evaluation and recommendations prior to the convening of the 2013 legislative session.

Appropriates general funds of \$100,000 for fiscal 2012 to be used by the Commission to conduct an evaluation of the state's tax structure and recommend revenue and tax policy; provided that this appropriation shall lapse on June 30, 2013.

EFFECTIVE DATE: Upon approval

STAFF COMMENTS: This is an administration measure submitted by the department of taxation TAX-03(12). The latest Tax Review Commission was to have been formed in 2010, conducted its meetings beginning July 1, 2010, and submitted a report to the legislature by December 2011. On July 1, 2010, only two members had been appointed and confirmed and due to the lack of a quorum and other members, was unable to complete its task.

The current Tax Review Commission has three members that have been confirmed by the legislature and four interim members. While the Commission held its first meeting on July 15, 2011, due to its late start it appears that the Commission needs additional time and resources to complete its examination of the state's tax structure. Note well that both the Chair, as well as the Vice Chair, are "interim" appointments, having not been confirmed by the Senate.

However, given the fact that the current Commission was appropriated \$200,000 and has been meeting since last summer, no plan of action has been put forth as to what issues it intends to review nor have any contracts been let to secure appropriate research to assist the Commission. That being the case, unless the legislature is presented with an agenda as to why the Commission needs additional funds, there is little justification for the request for additional funding. In other words, if they haven't come up with a plan to spend what they have already been appropriated, why do they need additional funding? Providing additional funding without a demonstrated need would be irresponsible on the part of the legislature.

It should be noted that while it is generally recognized that participation on the Commission does not mandate expertise in the area of taxation, one would assume that the Commission be informed and educated about the state's tax system which they are about to review. Unfortunately this commission delayed any kind of informational session until four months into its tenure. As a result, there was no basis or foundation for a discussion of what issues the Commission would review.

Digested 1/31/12