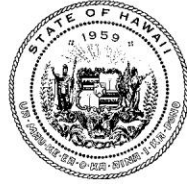


NEIL ABERCROMBIE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

FREDERICK D. PABLO
DIRECTOR OF TAXATION

JOSHUA WISCH
DEPUTY DIRECTOR

To: The Honorable Sylvia Luke, Chair
and Members of the House Committee on Finance

Date: Tuesday, February 25, 2014

Time: 11:15 a.m.

Place: Conference Room 308, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: H.B. No. 1924, H.D. 1 Relating to the Council on Revenues

The Department of Taxation (Department) offers the following comments on H.B. 1924, H.D.1, for the committee's consideration.

H.B. 1924, H.D.1, establishes an interdepartmental research task force to: (1) review the economic models used by the Council on Revenues (COR) to prepare economic and tax revenue forecasts; (2) review appropriate and relevant economic data needed for the economic models; (3) review the data source, data collection, and the reporting schedule and procedures used for the economic models; (4) provide recommendations on the data source, data collection, and reporting schedules and procedures used for the economic models; and (5) develop, modify, or update economic models for the Council on Revenues.

H.B. 1924, H.D.1, designates the Director of Taxation and the Director of Business, Economic Development and Tourism to serve as co-chairs of the task force. The members of the task force include the: (1) Director of Finance; (2) Director of Labor and Industrial Relations; (3) Executive Director of the Hawaii Tourism Authority; (4) Chair of the Council on Revenues; and (5) Chief Information Officer of the Office of Information Management and Technology. H.B.1924, H.D.1, also appropriates unspecified amounts to the Department and the Department of Business, Economic Development and Tourism to assist the task force.

Pursuant to section 37-111 and 37-112, Hawaii Revised Statutes (HRS), the Department and the Department of Budget and Finance (B&F) currently provide administrative support to the COR to assist with the performance of their duties. This administrative support includes gathering data from other governmental agencies and preparing revenue estimates and economic models for the COR. The two economic models administered by the Department help to translate

the COR's forecasts of economic changes into forecasts of general fund tax collections, which the COR uses as starting points for their discussions.

The Department notes that the proposed research task force would be duplicating much of the work currently performed by the Department, pursuant to sections 37-111 and 37-112, HRS. At this time, it is unclear that establishing a separate research task force could generate better economic models for the COR, given that most of the data necessary for inclusion in the economic models are already gathered from the appropriate government agencies.

In 2009, the Department awarded a contract to UCLA Anderson Forecast to improve the economic model it had been using to translate the economic forecasts of the Council members into forecasts of changes in the general fund tax revenues. The contractors provided equations for predicting changes in collections of the general excise tax, individual income tax and corporate income tax. The equations are a useful "second opinion," but do not necessarily provide more accurate results than the Department's existing economic model. At this time, the Department uses both models to provide forecasts for the COR members' review.

The Department has serious concerns about the provisions which would have the research task force members "review the data source," which could mean review of individual tax returns. If that is not the intent, clarification would be necessary to avoid violating current taxpayer confidentiality provisions.

The Department is aware that there is certain information, such as updated tax credit reports, that would be helpful for the COR's forecasting. However, the Department's ability to issue these reports in prior years has been hampered by a lack of research statisticians within the Tax Research and Planning Office (TRP) of the Department of Taxation. Due to the limitations of the current computer system's reporting capabilities, production of the tax credit report requires a substantial amount of work by research statistician staff to format the raw tax data properly for statistical reporting. It can take an experienced research statistician staff, working full-time, a minimum of six months to produce the tax credit report.

The last research statistician left the Department in March 2009, and during the 2009 legislative session, all the research statistician positions in TRP were abolished. In 2012, the Department was given a research statistician position via Act 189, SLH 2012; starting in early 2013, the Department initiated the recruitment process and currently has one research statistician on staff. Recently, the Department has been able to produce the Tax Credits Claimed by Hawaii Taxpayers for Tax Year 2011.

At this time, the Department has difficulty in finding qualified applicants for the research statistician positions. The Department is hoping to address some of the staffing difficulties by seeking better and more efficient data reporting from our next computer system.

Finally, this bill provides an appropriation for use by the research task force to "assist the department of taxation with the preparation of tax data, including Hawaii income patterns, tax credit filings, general excise and use tax collection by industry, general excise tax by place of business, withholding tax on wages by industry, and transient accommodations tax on timeshares..." Much of the required information is not currently available due to the tax form format and data reporting limitations of our current computer system. The Department lacks the resources to make all the modifications to the tax forms and the computer system to capture and report the desired information; the proposed appropriation would need to be substantially higher than the appropriation of \$125,000 that was contained in this measure's previous version.

Thank you for the opportunity to provide comments.



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**

NEIL ABERCROMBIE
GOVERNOR

RICHARD C. LIM
DIRECTOR

MARY ALICE EVANS
DEPUTY DIRECTOR

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: www.hawaii.gov/dbedt

Telephone: (808) 586-2355
Fax: (808) 586-2377

Statement of
RICHARD C. LIM
Director
Department of Business, Economic Development, and Tourism
before the

HOUSE COMMITTEE ON FINANCE

Tuesday, February 25, 2014
11:15 a.m.
State Capitol, Conference Room 308

in consideration of
HB1924, HD1
RELATING TO THE COUNCIL ON REVENUES.

Chair Luke, Vice Chairs Nishimoto and Johanson, and Members of the Committee.

Thank you for the opportunity to testify on HB1924, HD1, a bill that establishes an interdepartmental research task force to assist the Council on Revenues in developing economic models for revenue forecasts for state government and makes an unspecified appropriation to DBEDT and to the Department of Taxation.

DBEDT offers the following comments. DBEDT would be unable to carry out the functions of this bill without the recommended funding of the House Committee on Economic Development and Business of \$150,000 to carry out this initiative.

Otherwise, DBEDT would be pleased to work with the Council on Revenues and the Department of Taxation and other state and private agencies to develop new economic models incorporating the state tax revenue projection.

DBEDT defers to DoTax on any questions regarding the cost of additional resources for the preparation of tax data.

Thank you for the opportunity to comment.

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: MISCELLANEOUS, Interdepartmental research task force

BILL NUMBER: HB 1924, HD-1

INTRODUCED BY: House Committee on Economic Development and Business

BRIEF SUMMARY: Adds a new section to HRS chapter 37 to provide for the establishment of an interdepartmental research task force to: (1) review the economic models used by the council on revenues to prepare economic and tax revenue forecasts; (2) review economic data needed for the economic models; (3) review the data source, data collection, and the reporting schedule and procedures used for the economic models; (4) provide recommendations on the data source, data collection, and reporting schedules and procedures used for the economic models; and (5) develop, modify, or update economic models.

The director of taxation and the director of business, economic development, and tourism, or their designees, shall serve as co-chairs of the task force. Members of the task force shall include the: (1) director of finance; (2) director of labor and industrial relations; (3) executive director of the Hawaii tourism authority; (3) chair of the council on revenues; and (5) chief information officer of the office of information management and technology, or their respective designees.

Appropriates \$_____ in general funds to the department of taxation for fiscal 2015 to assist the department of taxation with the preparation of tax data, including Hawaii income patterns, tax credit filings, general excise and use tax collections by industry, general excise tax by place of business, withholding tax on wages by industry, and transient accommodations tax on timeshares, for use by the interdepartmental task force.

Appropriates \$_____ to the department of business, economic development, and tourism for fiscal year 2015 to assist the interdepartmental research task force in developing economic models, including models relating to tourism, construction, real estate, income, employment, consumer price index, and tax revenues, to assist the council on revenues with the preparation of state economic and tax forecasts.

EFFECTIVE DATE: January 20, 2050

STAFF COMMENTS: This measure would establish an interdepartmental research task force to assist the council on revenue in preparing their revenue forecasts. Currently, the departments of budget and finance and taxation provide the council with such staff assistance and technical support and all departments and agencies of the executive branch furnish the council with the necessary information to prepare revenue estimates.

The 1978 Constitutional Convention provided for the establishment of the council on revenues. The council on revenues has provided revenue estimates since the enabling legislation of Act 278, SLH 1980. After nearly 35 years and with no obvious shortcomings with the system now in place, it is questionable whether any need has been shown for the adoption of this measure.

Digested 2/23/14

NEIL ABERCROMBIE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



KURT KAWAFUCHI
CHAIR

MARILYN M. NIWAO
VICE-CHAIR

MEMBERS:

Carl S. Bonham
Christopher Grandy
Elizabeth P. Cambra
Jack P. Suyderhoud
Kristi L. Maynard

COUNCIL ON REVENUES

STATE OF HAWAII
P.O. BOX 259
HONOLULU, HAWAII 96809-0259

Statement of
Marilyn M. Niwao, Vice Chair
Council on Revenues
Before the

House Committee on Finance
February 25, 2014 at 11:15 a.m.
State Capitol, Conference Room 308

In consideration of
H.B. 1924, HD1
RELATING TO THE COUNCIL ON REVENUES

Chair Luke, Vice Chairs Nishimoto and Johanson, and Members of the Committee:

I am the Vice Chair and tasked to be acting Chair of the Council on Revenues (COR) with respect to testimony on this bill by COR Chair Kurt Kawafuchi. Since the COR's next scheduled meeting is on March 11, 2014, the COR has not deliberated and voted on this bill. Accordingly, the COR is unable to support or oppose this bill, but does offer the following information and comments for your consideration:

Overview

The COR is tasked with the responsibility of forecasting General Fund Tax Revenue Growth and Total Personal Income Growth. In forecasting General Fund Tax Revenue growth rates, the COR considers:

1. Various economic variables as part of two economic models (discussed in attached Exhibit A as the "Regular Model" and the "UCLA Model");
2. Tax laws and tax law changes affecting tax collections; and

3. DOTAX administrative effects, such as the timing of the collection of taxes and payment of tax refunds to taxpayers and allocations to the City and County of Honolulu.

Since the State of Hawaii recognizes General Fund Tax Revenue on the cash basis of accounting, any errors in forecasting General Fund growth rates can be the result of:

- 1) errors in estimating the underlying economic growth rates;
- 2) timing differences (i.e., where there was a delay in collection of taxes or payment of refunds);
- 3) errors in estimating the effect of new tax laws (such as Act 105 having to do with the subcontractor exemption) and tax credits; or
- 4) any combination of the above.

The COR makes its own forecasts with input from its members. As a starting point for discussion, it uses two economic models administered by the Tax Research and Planning Office (TRP) under the Department of Taxation (DOTAX) that help translate forecasts for Hawaii economic growth into changes in General Fund tax collections.

Comments From Individual COR Members Are As Follows:

1. Currently, the bill includes only the Chair of the COR or the chair's designee as a member of the interdepartmental research Task Force. As this Task Force is designed to give administrative and technical support to the COR, more members of the COR should be part of the Task Force to assist the other Task Force members in gathering statistics and studies that would be helpful to the COR in forecasting. **As such, the bill should be amended to include on the Task Force not only the Chair, but also two other COR members designated by the Chair since COR members are consumers of the statistics to be gathered and studies to be performed, and could better guide the Task Force on its needs.**
2. COR forecasts are published widely and relied upon not only by the Governor and the Legislature, but also by many Hawaii businesses in their business plans. Accordingly, if more timely statistical information and studies are available to the COR, it would be helpful in the COR forecasts and to businesses.
3. More timely data from DOTAX and other departments would be useful in generating more accurate forecasts. For example, one of the challenging topics is trying to determine the effect of tax credits when data the COR

receives is several years old. This bill could assist in making more timely data available to the COR.

4. It may be helpful to analyze statistics and data to determine if the COR's forecasts are affected by inaccurate estimates of the impact of new tax laws (including new tax credits) and administrative matters in the timing of tax collections and paying of refunds as opposed to underlying economic forecasts. Unfortunately, although tax data is collected from taxpayers, some of it cannot be easily retrieved and studied, such as exemption information collected on the Hawaii General Excise tax returns. Software programming changes are needed to capture this data.
5. Forecast models need constant feeding and care. There should be a monthly evaluation of the model and its parameters in an effort to identify when equilibrium mean shifts may have occurred and to correct for them. By making corrections quickly or robustifying the models to shocks and structural shifts, current literature demonstrates that forecasts can be put back on track quickly after events such as the '08 recession.
6. Historically, when the economy is improving, the COR underestimates the growth of tax collections. When the economy is getting worse, the COR overestimates the tax revenue collections. Part of the reason could be that capital gains income and business income fluctuates greatly with changes in the economy, and future tracking of these types of income separately may result in better forecasts when the economy shifts.
7. Statistical reports that were available in the past, such as the "Hawaii Income Patterns – Individuals" and "Tax Credits Claimed by Hawaii Residents," were last available for tax year 2005. The report "Hawaii Income Patterns – Corporations, Proprietorships and Partnerships" was last available for tax year 2002. These reports should be updated to provide current useful information to COR members.

Thank you for this opportunity to testify. I will be available to answer any questions you may have.

Respectfully submitted,



Marilyn M. Niwao, M.S.P.H., J.D., CPA
Vice Chair, Council on Revenues

Exhibit A

BACKGROUND - TRP'S ECONOMIC MODELS AND THE GENERAL FUND FORECASTS

The COR produces forecasts of General Fund tax revenues four times each year. The forecasts are transmitted to the Governor and to the Legislature in reports that are due by January 10, March 15, June 1, and September 10. Before each meeting, the Tax Research and Planning Office (TRP) under the Department of Taxation (DOTAX) sends the COR members a survey to complete. The survey asks for members' individual forecasts for economic variables ("indicators") that predict what will happen to Hawaii's economy over the next seven years. The survey is accompanied by the results from the previous survey and tables showing historical values of the economic indicators, which are listed below:

- 1) Real growth of Hawaii total personal income
- 2) Nominal growth of construction completed in Hawaii
- 3) Honolulu consumer price index
- 4) Growth in the number of total State visitor arrivals by air
- 5) Nominal growth of U.S. GDP
- 6) U.S. GDP deflator
- 7) Nominal growth of total wages in Hawaii
- 8) Nominal growth in visitor expenditures in Hawaii
- 9) Real growth of Hawaii GDP

After the members return their surveys, TRP provides them with a workbook for the meeting. The workbook contains a table with the average of the members' forecasts for each economic indicator, a table with historical data on the economic indicators, and tables with predictions of General Fund tax revenues based on the members' economic forecasts.

TRP uses the COR's forecasts for economic indicators to predict General Fund collections from the following taxes:

- 1) General excise and use taxes
- 2) Individual income tax
- 3) Corporate income tax
- 4) Public service company tax
- 5) Tax on insurance premiums
- 6) Cigarette and tobacco tax
- 7) Liquor tax
- 8) Tax on banks and other financial corporations
- 9) Inheritance and estate tax
- 10) Conveyance tax

- 11) Miscellaneous taxes
- 12) Transient accommodations tax

TRP uses two models to make its predictions. The first model, which is referred to as the “Regular Model”, has a separate regression equation for each of the above-listed taxes, except for the Transient Accommodations Tax (TAT) and the inheritance and estate tax. The TAT is simply predicted to grow by the rate of growth of visitor arrivals plus the rate of inflation in Honolulu. Collections from the estate tax are assumed to grow at the rate of inflation, because we have not had enough experience with the new tax to develop a regression equation. The results for each equation are summed to get the forecast for total General Fund tax collections.

The second model, which is referred to as the UCLA Model, contains only three regression equations and predicts collections for the general excise tax, the individual income tax, and the corporate income tax. These three taxes accounted for 87% of total General Fund tax revenues in fiscal year ended June 30, 2012. The collections for the remaining taxes are predicted using the same equations as in the first model. The UCLA model was developed by Anderson Forecasting under a contract with the Department of Taxation in 2009.

At the request of Council members, TRP added a third model in 2012 that uses a single regression equation to forecast total General Fund collections based on the economic variables.

The regression equations from all of the models predict future tax collections based on the COR's forecasts for what will happen to Hawaii's economy. However, the amount of taxes paid into the General Fund also depends on new legislation, such as changes in tax rates, in tax credits, or in the portion of a tax that is dedicated to the General Fund. To take account of the effects of such changes, TRP uses revenue estimates that were prepared for the Legislature. These adjustments are combined with the regression results to predict the actual General Fund tax collections.

To clarify the nature of the Department's contribution to the work of the Council, the Department does not engage in forecasting. Instead, the Department provides a conditional prediction of General Fund tax revenues, based on the Council's economic forecasts. That is, the Department provides regressions that predict what the tax collections will be if the economy behaves as forecast by the Council. Essentially, the regressions tell us what to expect if tax collections react to economic changes the way they have reacted to similar economic changes in the past. Then, special adjustments are added to account for changes in tax laws and for other things that might cause the reaction to be different in the future than it was in the past.

TRP regularly updates the regression equations (at least once each year), trying new variables and different equations to improve its predictions. In addition, TRP informs the Council of any changes that it believes might materially affect the General Fund tax revenue forecast, such as unusual receipts from court settlements, or changes in processing times of refunds.

How have the model performed? The question cannot be answered without looking at how accurate the Council forecasts of economic variables have been. If the Council's forecasts were completely accurate, so that any prediction error was the fault of the models, here is what the results would look like from the May meeting in each year:

FY2011

Actual GF growth: -0.8%
Model I: +0.8%
UCLA Model: +0.9%
COR's Forecast: -1.6%

FY2012

Actual GF growth: 15.0%
Model I (Adjusted): 14.9%
UCLA Model (adjusted): 14.5%
COR's Forecast: 12.0%

FY2013

Actual GF growth: 9.9%
Model I: 5.4%
UCLA Model: 4.4%
Single Equation model: 5.7%
COR's Forecast: 6.7%

Virtually the entire model error in Model I in FY2013 came from the regressions for the individual and corporate income taxes, as both of these taxes provided much higher revenues than expected based on their responses to growth in prior years. Part of the effect might have come from proposed changes in the federal tax law, which caused wealthy taxpayers to recognize capital gain income in 2012 to avoid the federal capital gains tax increase from 15% in 2012 to 20% in 2013, and the 3.8% tax on net investment income that was to take effect in 2013.

TESTIMONY BY TU DUC PHAM IN STRONGLY SUPPORT HB 1924 HD1
FEBRUARY 24, 2014

Dear Chair Luke and members of the House Committee on Finance.

My name is Tu Duc Pham. I am testifying strongly in support HB 1924 HD1.

I had served as the Chief Economist of the Department of Taxation (DOTAX) from 1997 to 2004 and the Tax Research and Planning Officer during the 2005-2009 period. Before that, I had been the most experienced and the highest ranking professional economist of the Department of Business, Economic Development and Tourism (DBEDT) until the 1997 legislature transferred my position of Economic Research Branch Chief from DBEDT to DOTAX. With my training and experience in econometric modeling and economic analysis at DBEDT, I have been able to assist the Council on Revenues to refine econometric models forecasting tax revenues as well as explaining why the revenue forecasts were derived through economic assumptions, tax revenue forecasting model, and the finalization of revenue forecasts by COR members as the legislature assigned me to do.

As a former employee of both DBEDT Research and Economic Analysis Division and Tax Research and Planning Office, it is my interest to see that my former co-workers at the two research offices can be highly productive in carrying out the functions assigned to them by the state administration and state legislature. As the former of Direction of Taxation had treated me with dignity and respect, I would like to assist him in carrying out his duties as the current Chair of Council on Revenues efficiently.

Currently, DOTAX does not have adequate resources to produce up-to-date statistical reports such as the Hawaii Income Patterns (Individuals and Businesses) and Tax Credits Claimed by Hawaii Residents. There is no statistical reports produced by DOTAX since I retired in 2009 as there are only three professional economists at the Tax Research and Planning Office as compared to 7 to 10 professional workers when I was in charge of the office. Compounding to the problem is the fact that two out of three professional economists have been eligible to retire since 2007. Also, the other economist at the Tax Research and Planning Office had received job offer from competing public and private employers. At the same time, it is extremely difficult to fill research statistician positions at the DOTAX. The bill would give DOTAX \$125,000 to get at least the needed data current and if possible, to extract useful additional data and information from the tax computer system. With the money DOTAX would be able to hire former research statisticians to update their statistical report as well as to train new recruited research statisticians SAS computer software and other techniques to extract the data so DOTAX can catch up the production of statistical reports. Nothing in the bill suggests that people, other than DOTAX employees can look at data from DOTAX systems

The bill would create a research task forced which will be co-chaired by both DBEDT and DOTAX, and members of the committee will include the Department of Labor and Industrial Relations, the Department of Budget and Finance, the Hawaii Tourism Authority and the Governor Office of Information Management and Technology.

There are problems with the functions given to the Tax Research Planning Office and the DBEDT Research and Economic Analysis Division that I had the duties to serve both offices. While DOTAX is the COR staff helping COR of tax revenue forecasting model, DBEDT Research and Economic Analysis is assigned to built econometric models for the State, according the current official functional statement.

Currently, DBEDT is tasked to forecasts key economic indicators that are used by the COR to forecast key economic indicators such as total personal income, tourism, construction activity, inflation rate and others. It is expected that with the creation of the interdepartmental task force, DBEDT will provide the forecasts of key economic indicators to COR members through the Tax Research and Planning Office. COR members can either take or modify that forecasts of key indicators before submitting their own forecasts as inputs to the Tax Forecasting Model

The original HB1924 would provide \$150,000 to DBEDT to built models forecasting personal income by category, employment I by industrial sector, construction by type, and tourism growth for various markets as well as to hire a contracted part-time economist to serve as consultant of the task force who will coordinate research activities between DOTAX and DBEDT. DBEDT has made excellent progress to build new tourism and construction models. With additional money, DBEDT can get expertise to refine these models. . As indicated by testimony of the COR, it is needed that the tax forecasting model to be constantly updated, temporarily giving DBEDT or the interdepartmental research task force the duties of improving the Revenue Forecast would relieve DOTAX time and resources needed to catch up their statistical reports.

Thank you very much for your consideration. I am available to answer questions by the committee.

Sincerely,

Tu Duc Pham, Ph.D.
Former Tax Research and Planning Officer
Former DEBETD Econometric Research Branch Chief



STATE OF HAWAII
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS
830 PUNCHBOWL STREET, ROOM 321
HONOLULU, HAWAII 96813
<http://labor.hawaii.gov>

February 25, 2014



To: The Honorable Sylvia Luke, Chair,
The Honorable Scott Y. Nishimoto, Vice Chair,
The Honorable Aaron Ling Johanson, Vice Chair, and
Members of the House Committee on Finance

Date: Tuesday, February 25, 2014
Time: 11:15 a.m.
Place: Conference Room 312, State Capitol

From: Dwight Y. Takamine, Director
Department of Labor and Industrial Relations (DLIR)

Re: H.B. No. 1924 HD1 Relating to the Council on Revenues

I. OVERVIEW OF PROPOSED LEGISLATION

HB2284 HD1 proposes to amend Chapter 37-111, Hawaii Revised Statutes (HRS) to establish an interdepartmental task force to review the economic models used by the Council on Revenues (COR) to prepare economic and tax revenue forecasts, review economic data needed for the models, provide recommendations on data sources and data collection for the economic models, and develop or update economic models. The measure also proposes that the task force include the Director of the Department of Labor and Industrial Relations on this task force along with the Directors of Finance, Hawaii Tourism Authority, and the State's Chief Information Officer.

III. COMMENTS ON THE HOUSE BILL

The Research & Statistics Office (R&S) has research statisticians on staff and no economists. While the research statisticians are trained and knowledgeable about the industry, occupational, employment, and related data they collect and analyze on a daily basis, they do not have the expertise or qualifications to develop or review economic models or advise the Director in such matters.

LATE

TESTIMONY BY TU DUC PHAM IN STRONGLY SUPPORT HB 1924 HD1
FEBRUARY 24, 2014

Dear Chair Luke and members of the House Committee on Finance.

My name is Tu Duc Pham. I am testifying strongly in support HB 1924 HD1.

I had served as the Chief Economist of the Department of Taxation (DOTAX) from 1997 to 2004 and the Tax Research and Planning Officer during the 2005-2009 period. Before that, I had been the most experienced and the highest ranking professional economist of the Department of Business, Economic Development and Tourism (DBEDT) until the 1997 legislature transferred my position of Economic Research Branch Chief from DBEDT to DOTAX. With my training and experience in econometric modeling and economic analysis at DBEDT, I have been able to assist the Council on Revenues to refine econometric models forecasting tax revenues as well as explaining why the revenue forecasts were derived through economic assumptions, tax revenue forecasting model, and the finalization of revenue forecasts by COR members as the legislature assigned me to do.

As a former employee of both DBEDT Research and Economic Analysis Division and Tax Research and Planning Office, it is my interest to see that my former co-workers at the two research offices can be highly productive in carrying out the functions assigned to them by the state administration and state legislature. As the former of Direction of Taxation had treated me with dignity and respect, I would like to assist him in carrying out his duties as the current Chair of Council on Revenues efficiently.

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The bill would create a research task forced which will be co-chaired by both DBEDT and DOTAX, and members of the committee will include the Department of Labor and Industrial Relations, the Department of Budget and Finance, the Hawaii Tourism Authority and the Governor Office of Information Management and Technology.

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Thank you very much for your consideration. I am available to answer questions by the committee.

Sincerely,

A handwritten signature in black ink, appearing to read 'Tu Duc Pham', with a long horizontal flourish extending to the right.

Tu Duc Pham, Ph.D.
Former Tax Research and Planning Officer
Former DEBETD Econometric Research Branch Chief