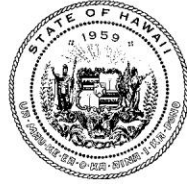


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JOSHUA WISCH
DEPUTY DIRECTOR

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

Date: Thursday, March 14, 2013
Time: 2:00 p.m.
Place: Conference Room 308, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: S.B. 1191, S.D. 1, Relating to Boards of Review

The Department of Taxation (Department) **strongly supports** S.B. 1191, S.D. 1, and provides the following information and comments for your consideration. This bill is an administration measure which will support the Department's effort to reduce the backlog of cases waiting to be heard by the Board of Review (Board).

S.B. 1191, S.D. 1, allows for up to three boards of review per taxation district and allows members of one board to be temporarily assigned to another board within the same district for purposes of establishing quorum. Currently, there are more than 200 cases pending review by the Oahu Board of Review. The Board members are dedicated volunteers, many of who are tax professionals and with other occupational commitments.

In order to allow flexibility on the meeting dates and not requiring the Boards to meet during tax season (prior to April 9 of each year is in the midst of tax season), the busiest time of the year for most of the members who are tax professionals, the Department requests a modification to section 232-7(b) as follows:

"232-7(b) Each board shall hold public meetings at some central location in its taxation district, commencing [~~not later than April 9 of each year~~] at least once annually and shall hear, as speedily as possible, all appeals presented for each year..."

Allowing for the creation of additional Boards, the substitution of Board members, and flexibility in the meeting dates will provide additional tools to address the current tax appeal cases awaiting resolution. The Department is also working on additional administrative steps necessary to support the Board and streamline the appeal process.

Thank you for the opportunity to provide comments.

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SUBJECT: TAX APPEALS, Additional boards of review

BILL NUMBER: SB 1191, SD-1

INTRODUCED BY: Senate Committee on Ways and Means

BRIEF SUMMARY: Amends HRS section 232-6 to provide that the director of taxation may establish additional boards of review in any taxation district where the number of disputes to be decided by the boards of a taxation district exceed the number of disputes that can be reasonably decided within one year provided that each taxation district shall have no more than three boards.

Amends HRS section 232-7 to allow the chair of a board of review in a district with multiple boards to temporarily assign a member of that board to serve as a substitute member of the requesting board for purposes of establishing a quorum at a designated meeting or designated meetings of the requesting board.

EFFECTIVE DATE: July 1, 2013

STAFF COMMENTS: This is an administration measure submitted by the department of taxation TAX-09 (13). This measure would allow the establishment of up to three boards of review in a taxation district to address the backlog of cases and to temporarily assign a member of one board to another board in the same district for the purpose of achieving a quorum.

Apparently, with only a single board of review for each tax district, it has been difficult to conduct business when that board cannot achieve a quorum. Increasing the number of boards of review for a tax district would allow one board to tap the members of another board in the same tax district to attend meetings and provide a quorum when its own members cannot attend any one meeting. This gives the department more flexibility and insures the timely review of disputed tax cases. Having a single board of review per tax district imposes hardships in those districts where distances between populated areas are great, like the Big Island. Having a single board of review which conducts its business only on one side of the island makes it inconvenient for the taxpayer to get from the place of residence or business to the site of the board's hearings, similarly moving the venue of the single board from one geographic venue to another to make it convenient for the taxpayer incurs added time and costs for the members of the board as well as for support staff.

That said, consideration might be given to either increasing the rate of compensation for service on a board of review or at the very least providing for a mileage allowance for those board members who must travel a very long distance. For example, at the current prices for gasoline, the ten dollars per day amount barely covers the cost of two and a half gallons of fuel.

Finally, while lawmakers are being asked to alter the number of boards of review, consideration should be given to cleaning up HRS subsection 232-7(b) by deleting the reference requiring that the board shall commence its work no later than April 9 of each year. This date was applicable when the boards of Review handled real property tax appeals where those appeals had to be made by April 9. Since the counties now have complete jurisdiction over the real property tax, this date is no longer necessary for the appeal of all other taxes under the state's jurisdiction.

Digested 3/12/13