

DAVID Y. IGE
GOVERNOR

JOSH GREEN M.D.
LIEUTENANT GOVERNOR



LINDA CHU TAKAYAMA
DIRECTOR

DAMIEN A. ELEFANTE
DEPUTY DIRECTOR

**STATE OF HAWAII
DEPARTMENT OF TAXATION**

830 PUNCHBOWL STREET, ROOM 221

HONOLULU, HAWAII 96813

<http://tax.hawaii.gov/>

Phone: (808) 587-1540 / Fax: (808) 587-1560

Email: Tax.Directors.Office@hawaii.gov

To: The Honorable Donovan M. Dela Cruz, Chair
and Members of the Senate Committee on Ways and Means

Date: Monday, February 11, 2019
Time: 10:00 A.M.
Place: Conference Room 211, State Capitol

From: Linda Chu Takayama, Director
Department of Taxation

Re: S.B. 1533, Relating to Taxation

The Department of Taxation (Department) appreciates the intent of S.B. 1533 and offers the following comments for the Committee's consideration.

S.B. 1533 creates a Tax Advisory Commission (Commission) within the Department to bring the benefit of private sector expertise to the public sector to make the tax system more user-friendly for the taxpayer and private sector. The Commission will be composed of two representatives from the Hawaii Society of Certified Public Accountants, a representative from the Council on Revenues, two representatives from the Hawaii Chamber of Commerce, two at-large members, one at-large member nominated by the President of the Senate, and one at-large member nominated by the Speaker of the House of Representatives. The nine members shall be appointed by the Governor with the advice and consent of the Senate and be placed in the Department for administrative purposes. The bill is effective upon its approval.

S.B. 1533 states that the Commission shall meet quarterly with the Director of Taxation and other relevant departmental staff, provided that if there is a major issue, the Commission may meet with the Director and other relevant staff more frequently.

S.B. 1533 also states that the Commission shall submit an annual report to the Legislature, and that the duties of the Commission shall include but not limited to the following:

- Review and make improvements and recommendations to the Department;
- Discuss policies and procedures of the Department, including policies and procedures that are effective, insufficient, or in need of improvement;
- Evaluate ways the Department could utilize limited resources more effectively and efficiently;
- Evaluate the tax computer system and tax forms;
- Improve compliance; and
- Make legislation and policy recommendations.

The Department is able to provide administrative and clerical support to the proposed Commission. However, the Department notes that the work of the task force may be somewhat duplicative of the work of the Tax Review Commission (TRC). The most recent TRC reported to the Legislature on February 8, 2018 and made numerous recommendations. The next TRC will begin deliberations in 2020 and report to the Legislature prior to the 2022 Regular Session.

Thank you for the opportunity to provide comments.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: ADMINISTRATIVE, Tax Advisory Commission

BILL NUMBER: SB 1533

INTRODUCED BY: KIM, DELA CRUZ, INOUYE, K. KAHELE, RIVIERE, Ihara, Moriwaki, Nishihara, Taniguchi

EXECUTIVE SUMMARY: Establishes the tax advisory commission to advise the department of taxation in making the tax system more user-friendly for the tax payer and private sector.

SYNOPSIS: Establishes a nine-member commission whose members are appointed by the governor with the advice and consent of the Senate. Members are not compensated but will have their expenses reimbursed. The commission is tasked with the following: (1) review and make improvements and recommendations to the department of taxation; (2) discuss policies and procedures of the department of taxation, including policies and procedures that are effective, insufficient, or in need of improvement; (3) evaluate ways the department of taxation could utilize limited resources more effectively and efficiently; (4) evaluate the tax computer system and tax forms; (5) improve compliance; and (6) make legislation and policy recommendations.

EFFECTIVE DATE: Upon approval.

STAFF COMMENTS: Finding members for the commission might not be an easy task, as our current experience with vacancies on the Taxation Boards of Review would suggest. Most of the people in our community who know about the fine points of state tax law use that knowledge to make a living. But if you are on a commission, you are subject to the same ethics laws that apply to state employees, which means you can't represent any clients for money before the Department of Taxation for the time you are on the commission, and for one year afterward. (See HRS section 84-18.) This prohibition doesn't apply to task forces, but it does apply to boards and commissions. The requirement was designed to make sure the people in positions of influence don't turn around after their service is done and parlay that influence into profit. So how do you get people to fill the vacancies? Not with pay; commission members are not compensated for their service. Retired practitioners, and practitioners serving only one client (such as CFOs) might be willing to go along with this, but folks who represent clients before the Department to feed their families probably won't. (And why is it that task forces can skate around the one-year restrictions while other boards and commissions can't?)

Digested 2/5/2019

SB-1533

Submitted on: 2/10/2019 9:56:51 AM

Testimony for WAM on 2/11/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Melodie Aduja	Testifying for O`ahu County Committee on Legislative Priorities of the Democratic Party of Hawai`i	Support	No

Comments: