

DAVID Y. IGE
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To: The Honorable Sharon Y. Moriwaki, Chair;
The Honorable Donovan M. Dela Cruz, Vice Chair;
and Members of the Senate Committee on Government Operations

From: Isaac W. Choy, Director
Department of Taxation

Date: Tuesday, February 1, 2022
Time: 3:00 P.M.
Place: Via Video Conference, State Capitol

Re: S.B. 2378, Relating to the Taxation Board of Review

The Department of Taxation (Department) strongly supports S.B. 2378 and offers the following comments for the committee's consideration.

S.B. 2378 amends section chapter 232, Hawaii Revised Statutes (HRS), to make several important changes to the State Taxation Board of Review (Board). It changes the Board's composition from ten volunteer members to three compensated members with two required for quorum, streamlines administrative procedures for validating board actions, and clarifies the legal, procedural, and evidentiary frameworks that the Board must use in providing notice, adjudicating contested case hearings, and reaching its decisions. It also makes appropriations for Board member salaries and administrative support and legal staff. The measure is effective upon approval, with the switch to a three-member paid board taking effect on January 1, 2023.

Establishing a paid professional Board with robust institutional support would greatly help the Department work through its significant backlog of appeals and ensure that Hawaii's taxpayers have their tax appeal issues resolved fairly and expeditiously. The Department is in strong support of this bill and is able to implement the measure as drafted.

Thank you for the opportunity to testify.

DAVID Y. IGE
GOVERNOR



CRAIG K. HIRAI
DIRECTOR

GLORIA CHANG
DEPUTY DIRECTOR

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WRITTEN ONLY
TESTIMONY BY CRAIG K. HIRAI
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEE ON GOVERNMENT OPERATIONS
ON
SENATE BILL NO. 2378

February 1, 2022
3:00 p.m.
Room 016 and Videoconference

RELATING TO THE TAXATION BOARD OF REVIEW

The Department of Budget and Finance (B&F) offers comments on this bill.

Senate Bill No. 2378 amends Section 232-6, HRS, to change the composition of the Taxation Board of Review (Board) from ten volunteer members to three full-time members; establish that the Chairperson of the Board shall be paid 85% of the salary of the Director of Taxation and the other Board members shall be paid 90% of the Chairperson's salary; decrease the quorum requirement from three members to two; and clarify the legal, procedural, and evidentiary framework that the Board must use in providing notice, adjudicating a contested case hearing, and reaching its decision. This bill also appropriates \$518,452 in general funds in FY 23 for 3.00 Board members, 2.00 administrative staff members, and other related administrative expenses.

B&F notes that the federal Coronavirus Response and Relief Supplemental Appropriations Act requires that states receiving Elementary and Secondary School Emergency Relief (ESSER) II funds and Governor's Emergency Education Relief II funds must maintain state support for:

- Elementary and secondary education in FY 22 at least at the proportional level of the state's support for elementary and secondary education relative to the state's overall spending, averaged over FYs 17, 18 and 19; and
- Higher education in FY 22 at least at the proportional level of the state's support for higher education relative to the state's overall spending, averaged over FYs 17, 18 and 19.

Further, the federal American Rescue Plan (ARP) Act requires that states receiving ARP ESSER funds must maintain state support for:

- Elementary and secondary education in FY 22 and FY 23 at least at the proportional level of the state's support for elementary and secondary education relative to the state's overall spending, averaged over FYs 17, 18 and 19; and
- Higher education in FY 22 and FY 23 at least at the proportional level of the state's support for higher education relative to the state's overall spending, averaged over FYs 17, 18 and 19.

The U.S. Department of Education has issued rules governing how these maintenance of effort (MOE) requirements are to be administered. B&F will be working with the money committees of the Legislature to ensure that the State of Hawai'i complies with these ESSER MOE requirements.

Thank you for your consideration of our comments.