NOTICE TO PROVIDERS OF PROFESSIONAL SERVICES

The Tax Review Commission ("Commission") is charged under section 232 E-3 of the Hawaii Revised Statutes (HRS) with conducting a systematic review of Hawaii's tax structure, using such standards as equity and efficiency. In accordance with section 103D-304, HRS, the Hawaii Department of Taxation ("Department") is seeking qualified economists or accountants who have a working knowledge of Hawaii's tax structure and of Hawaii's economy to prepare studies on Hawaii's tax system. The budget for the studies is not anticipated to exceed $200,000.00. The following topics are being considered:

1. A study showing who bears the burden of Hawaii's taxes. The study would show the incidence of the taxes imposed by the State and by the counties by income class, and the portion of each tax that is exported to nonresidents. Similar studies have been done for past Tax Review Commissions. See "*Distribution of State and Local Tax Burden by Income Class*" in the report of the 1989 Tax Review Commission (available at http://files.hawaii.gov/tax/stats/trc/docs1989/TRC_Work_Papers_and_Consultant_Studies_1989.PDF, page 13) and "*Study on the Progressive or Regressive Nature of Hawaii's Taxes*" in the report of the 2005-2007 Tax Review Commission (available at http://files.hawaii.gov/tax/stats/trc/docs2007/Final_Report-Appendix_D.pdf).

2. A study showing ways to reform Hawaii's taxes to make them less regressive. Solutions might include reducing reliance on more regressive taxes in favor of taxes that are more progressive, or making the individual income tax more progressive. The reform can be designed to raise tax revenue, or to be revenue neutral.

3. A study on the best ways to generate more revenue through new and existing sources, and through improved compliance with Hawaii's tax laws. The study should consider, at least broadly, how much revenue will be needed to maintain the current level of government services (tax adequacy), including unfunded or underfunded liabilities for pension and health care benefits for retired state workers. The study can be combined with a study of tax adequacy, or it can take as the goal raising enough additional revenue to fund the annual required contribution (ARC) to the Employer-Union Benefits Trust Fund. (Funding the ARC will be required by Act 268, Session Laws of Hawaii 2013, starting July of 2018.) The study should include a qualitative assessment of the effects of the proposals on the overall economy and on its major sectors. Examples of studies of tax adequacy are the reports prepared for the Tax Review Commissions of 1989, 2005-2007, and 2011-2013. See "*Is Hawaii's Tax System Adequate?*" (available at http://files.hawaii.gov/tax/stats/trc/docs1989/TRC_Work_Papers_and_Consultant_Studies_1989.PDF, page 5), "*A Study on the Question 'Is Hawaii's Tax Structure Adequate?'*" (available at

http://files.hawaii.gov/tax/stats/trc/docs2007/Final_Report-Appendix_A.pdf), "*Will Hawaii's Tax Structure Prove Adequate in the Future?*" (available at http://files.hawaii.gov/tax/stats/trc/docs2012/sup_121019/tax_adequacy_study.pdf), and "*Report of the PFM Group*" (available at http://files.hawaii.gov/tax/stats/trc/docs2012/trc_rpt_2012_appendices_A-H.pdf).

Applicants are invited to submit bids on a single study, or on any combination of the studies. For example, a study on how to generate additional revenue could include an assessment of how the proposed tax changes would alter the overall tax burden faced by different income classes, or a study on how to reform the tax system could consider changes that improve equity and that also provide tax adequacy. If requested, the contractor shall make a presentation of the study to the Commission.

Contract Term

The initial term of the engagement will be from contract effective date through June 30, 2017. The contract award for the initial period will be on a fixed fee basis. The State shall have the sole option to renew the contract at the hourly rate, for a scope to be mutually agreed upon, for an additional period not to exceed six months.

Summary of Significant Dates:

Professional Services Solicitation posted	September 26, 2016
Due Date to Submit Questions*	October 3, 2016
State's Response to Questions*	October 10, 2016
Submissions Due Date	October 26, 2016
Anticipated Contract Date	December 2, 2016
Draft Report Due (1 loose & 20 bound copies)	July 17, 2017
Final Report Due (1 loose & 20 bound copies)	September 1, 2017

Firms and individuals interested in providing the professional services described above should submit the following information by October 26, 2016 at 9:00 am HST to:

Dexter Suzuki
Administrative Services Officer
Re: Tax Review Commission
Department of Taxation
830 Punchbowl Street #217
Honolulu, HI 96813

*All written questions must be submitted by October 3, 2016 at 4:30 p.m., via email at Tax.Rules.Office@hawaii.gov. Responses to such questions shall be provided via email from Tax.Rules.Office@hawaii.gov.

Sub-contracting will be permitted with prior written approval from the Department. The following should be submitted and should include applicable information for any sub-contractors that may be engaged.

1. **Letter of Interest** – Include the applicant's legal name, legal form (such as corporation, partnership, joint venture, limited liability company or sole proprietorship), state of incorporation (if applicable), business address, email address, telephone number, federal and state tax identification numbers, and proposed hourly rate.

2. **Statement of Qualifications** – Include the applicant's qualifications, expertise and experience. Include the same information for any sub-contractors that may be engaged.

3. **References** – Include three (3) references that the Department may freely contact for the applicant and for any sub-contractors that may be engaged.

4. **Detailed proposal** - Include the following:
    a. Area of study (one of the studies detailed above, or a combination of the studies)
    b. Report outline
    c. Study methodology
    d. Fixed fee for initial contract period
    e. Hourly fee for contract extension period, if any

5. **Certificate of Vendor Compliance from Hawaii Compliance Express** - Include a Certificate of Vendor Compliance(s) for the applicant and for any sub-contractor(s) that may be engaged. (For information on the certificate, please see https://vendors.ehawaii.gov/hce/splash/welcome.html).

Facsimile and electronic transmissions will not be accepted.

GENERAL INFORMATION

Professionals will be selected in accordance with section 103D-304, Hawaii Revised Statues and section 3-122-Subchapter 7, Hawaii Administrative Rules, as amended. The selection criteria employed shall include the following:

1. Experience and professional qualifications relevant to the proposed study.

2. Past performance on projects of similar scope for public agencies or private industry, including corrective actions and other responses to notices of deficiencies.

3. Capacity to accomplish the work in the required time.

4. Any other criteria as determined by the selection committee to be relevant or necessary, including a working knowledge of Hawaii's tax structure and of its economy.

Campaign contributions by State and County Contractors – Contractors are hereby notified of Section 11-205.5, HRS, which states that campaign contributions are prohibited from specified state or county government contractors during the term of the contract if the contractors are paid with funds appropriated by a legislative body. For more information, contact the Campaign Spending Commission at (808) 586-0285.