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# A BILL FOR AN ACT

RELATING TO TRANSIENT ACCOMMODATIONS TAX.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. The legislature finds that the State needs a  
2 better reporting system with respect to transient accommodations  
3 tax revenues collected from residential properties. Better  
4 reporting will enable the State to provide a more comprehensive  
5 tax system that is more equitable and cost-effective. In  
6 addition, better enforcement is needed to ensure that owners of  
7 vacation rentals and bed and breakfast establishments comply  
8 with the transient accommodations tax law.

9           The purpose of this Act is to:

10           (1) Require the department of taxation to coordinate with  
11 the Hawaii tourism authority and each respective  
12 county to identify owners of residential properties  
13 subject to the transient accommodations tax who  
14 operate vacation rentals -- where the owner does not  
15 reside on the property -- and bed and breakfast  
16 establishments -- where the owner resides on the  
17 property;



- 1           (2) Allow the department of taxation to coordinate with  
2           the Hawaii tourism authority and each respective  
3           county to conduct audits of the owners of residential  
4           properties who operate vacation rentals and bed and  
5           breakfast establishments and take other administrative  
6           and enforcement actions necessary to ensure compliance  
7           with applicable statutes, rules, ordinances, and other  
8           provisions of the law relating to the transient  
9           accommodations tax;
- 10          (3) Require the department of taxation to share transient  
11          accommodations tax location information with the  
12          counties;
- 13          (4) Require the department of taxation to report annually  
14          to the legislature on transient accommodations tax  
15          revenues received from owners of residential  
16          properties who operate vacation rentals and bed and  
17          breakfast establishments;
- 18          (5) Require the department of taxation to review the forms  
19          and process relating to the collection of the  
20          transient accommodations tax from vacation rentals and  
21          bed and breakfast establishments and submit a report



1 on the results of the review to the legislature at  
2 least twenty days before the regular session of 2008;  
3 (6) Appropriate funds to the department of taxation for  
4 additional investigations.

5 SECTION 2. Chapter 237D, Hawaii Revised Statutes, is  
6 amended by adding a new section to be appropriately designated  
7 and to read as follows:

8 "§237D- Vacation rentals and bed and breakfast  
9 establishments; enforcement; reporting. (a) The department  
10 shall coordinate with the Hawaii tourism authority and each  
11 county to identify owners of residential properties subject to  
12 this chapter who operate:

13 (1) Vacation rentals, that is, when the owner does not  
14 reside on the property; and

15 (2) Bed and breakfast establishments, that is, when the  
16 owner resides on the property.

17 (b) The department may coordinate with the Hawaii tourism  
18 authority and each county to conduct general excise and income  
19 tax audits of the owners of residential property subject to this  
20 chapter who operate vacation rentals or bed and breakfast  
21 establishments and take other administrative and enforcement



1 actions necessary to ensure compliance with applicable statutes,  
2 rules, ordinances, and other provisions of this chapter.

3 (c) The department shall provide to the counties the  
4 location of vacation rentals or bed and breakfast establishments  
5 subject to the taxes under this chapter; provided that the  
6 department shall not release any information regarding the taxes  
7 collected under this chapter.

8 (d) The department shall report annually to the  
9 legislature on tax revenues received under this chapter from  
10 owners of residential properties subject to this chapter who  
11 operate vacation rentals or bed and breakfast establishments, or  
12 both.

13 (e) For the purposes of this section, the department shall  
14 establish criteria to identify vacation rentals and bed and  
15 breakfast establishments."

16 SECTION 3. Section 201B-3, Hawaii Revised Statutes, is  
17 amended by amending subsection (a) to read as follows:

18 "(a) Except as otherwise limited by this chapter, the  
19 authority may:

20 (1) Sue and be sued;

21 (2) Have a seal and alter the same at pleasure;



- 1           (3) Make and execute contracts and all other instruments  
2           necessary or convenient for the exercise of its powers  
3           and functions under this chapter; provided that the  
4           authority may enter into contracts and agreements for  
5           a period of up to five years, subject to the  
6           availability of funds; and provided further that the  
7           authority may enter into agreements for the use of the  
8           convention center facility for a period of up to ten  
9           years;
- 10          (4) Make and alter bylaws for its organization and  
11          internal management;
- 12          (5) Unless otherwise provided in this chapter, adopt rules  
13          in accordance with chapter 91 with respect to its  
14          projects, operations, properties, and facilities;
- 15          (6) Through its executive director represent the authority  
16          in communications with the governor and with the  
17          legislature;
- 18          (7) Through its executive director, provide for the  
19          appointment of officers, agents, and employees,  
20          subject to the approval of the board, prescribing  
21          their duties and qualifications, and fixing their  
22          salaries, without regard to chapters 76 and 78 if



- 1           there is no anticipated revenue shortfall in the  
2           tourism special fund and funds have been appropriated  
3           by the legislature and allotted as provided by law;
- 4       (8) Through its executive director purchase supplies,  
5           equipment, or furniture;
- 6       (9) Through its executive director allocate the space or  
7           spaces which are to be occupied by the authority and  
8           appropriate staff;
- 9       (10) Engage the services of qualified persons to implement  
10           the State's tourism marketing plan or portions thereof  
11           as determined by the authority;
- 12       (11) Engage the services of consultants on a contractual  
13           basis for rendering professional and technical  
14           assistance and advice;
- 15       (12) Procure insurance against any loss in connection with  
16           its property and other assets and operations in such  
17           amounts and from such insurers as it deems desirable;
- 18       (13) Contract for or accept revenues, compensation,  
19           proceeds, and gifts or grants in any form from any  
20           public agency or any other source, including any  
21           revenues or proceeds arising from the operation or use  
22           of the convention center;



- 1           (14) Develop, coordinate, and implement state policies and  
2           directions for tourism and related activities taking  
3           into account the economic, social, and physical  
4           impacts of tourism on the State and its natural  
5           resources infrastructure; provided that the authority  
6           shall support the efforts of other state and county  
7           departments or agencies to manage, improve, and  
8           protect Hawaii's natural environment and areas  
9           frequented by visitors;
- 10          (15) Have a permanent, strong focus on marketing and  
11          promotion;
- 12          (16) Conduct market development-related research as  
13          necessary;
- 14          (17) Coordinate all agencies and advise the private sector  
15          in the development of tourism-related activities and  
16          resources;
- 17          (18) Work to eliminate or reduce barriers to travel in  
18          order to provide a positive and competitive business  
19          environment, including coordinating with the  
20          department of transportation on issues affecting  
21          airlines and air route development;



- 1       (19) Market and promote sports-related activities and  
2            events;
- 3       (20) Coordinate the development of new products with the  
4            counties and other public sectors and private sectors,  
5            including the development of sports, culture, health  
6            and wellness, education, technology, agriculture, and  
7            nature tourism;
- 8       (21) Establish a public information and educational program  
9            to inform the public of tourism and tourism-related  
10           problems;
- 11       (22) Encourage the development of tourism educational,  
12           training, and career counseling programs;
- 13       (23) Establish a program to monitor, investigate, and  
14           respond to complaints about problems resulting  
15           directly or indirectly from the tourism industry and  
16           taking appropriate action as necessary[+], including  
17           but not limited to, coordination with the department  
18           of taxation under section 237- ;
- 19       (24) Set and collect rents, fees, charges, or other  
20           payments for the lease, use, occupancy, or disposition  
21           of the convention center facility without regard to  
22           chapter 91;





1 (25) Notwithstanding the provisions of chapter 171,  
 2 acquire, lease as lessee or lessor, own, rent, hold,  
 3 and dispose of the convention center facility in the  
 4 exercise of its powers and the performance of its  
 5 duties under this chapter; and

6 (26) Acquire by purchase, lease, or otherwise, and develop,  
 7 construct, operate, own, manage, repair, reconstruct,  
 8 enlarge, or otherwise effectuate, either directly or  
 9 through developers, a convention center facility."

10 SECTION 4. The department of taxation shall review the  
 11 forms and process for the collection of the transient  
 12 accommodations tax and include separate categories of collection  
 13 for residential properties used as vacation rentals and bed and  
 14 breakfast establishments.

15 The department of taxation shall report the results of its  
 16 review and report any findings and recommendations, including  
 17 any proposed state and county enforcement and compliance  
 18 initiatives, to the legislature at least twenty days prior to  
 19 the convening of the regular session of 2008.

20 SECTION 5. There is appropriated out of the general  
 21 revenues of the State of Hawaii the sum of \$ , or so  
 22 much thereof as may be necessary for fiscal year 2007-2008, for



1 additional investigation of undocumented vacation rentals and  
2 bed and breakfast establishments, in coordination with the  
3 counties and the Hawaii tourism authority.

4 The sum appropriated shall be expended by the department of  
5 taxation for the purposes of this Act.

6 SECTION 6. Statutory material to be repealed is bracketed  
7 and stricken. New statutory material is underscored.

8 SECTION 7. This Act shall take effect on July 1, 2007.



**Report Title:**

TAT; Vacation Rentals; Bed and Breakfast

**Description:**

Requires department of taxation to: review the forms and process for collecting the transient accommodations tax from vacation rentals and bed and breakfast establishments and report revenues received from them; work with Hawaii tourism authority and counties to identify owners operating vacation rentals and bed and breakfast establishments and enforce transient accommodations tax compliance; share location information on transient accommodations taxpayers with counties. Clarifies duties of Hawaii tourism authority. (SD2)

