

HOUSE OF REPRESENTATIVE
24th LEGISLATURE
REGULAR SESSION of 2008

COMMITTEE ON TOURISM & CULTURE
Representative Ryan Yamane, Chair

2/4/08

HB 2985
Relating to Taxation

Chair Yamane and members of the Tourism Committee, my name is Max Sword, here on behalf of Outrigger Hotels, to offer our support of this bill.

HB 2985 provides a tax credit equal to 15% of the costs of hotel renovations between 2014 and 2019.

A number of years ago, we were advocating a tax credit for hotel renovations. At that time our argument for the tax credit was simple economics. The cost of constructing a hotel, or even renovating a hotel, was becoming uneconomical in comparison to building or converting a building into a condo or timeshare. That argument is still valid today.

We explained back then that, without any type of tax credit, we would see hotels taken out of service and being converted to either time-shares or condos. Time has shown this to be true, as a number of hotels have already been converted to time-share or condos.

If you go over the list hotels that have been converted, you will notice that a common theme is that these properties are all off-beach properties. The simple fact is that beach properties can command high room rates that can pay for construction or renovation, while an off-beach property cannot.

What I am suggesting, therefore, Mr. Chairman and members of the Tourism Committee, is that while a blanket tax credit would be very much appreciated, we believe that the properties that could use the most help are those on Kuhio Avenue in Waikiki, the hotels on Banyan Drive in Hilo, those in Kahului - such as the Maui Palms, and other off-beach properties which have difficulty getting sufficient room rates to justify renovation or expansion.

Mahalo for allowing me to testify on this bill.

LATE
TESTIMONY