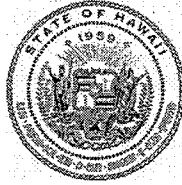


LINDA LINGLE  
GOVERNOR

JAMES R. AIONA, JR.  
LT. GOVERNOR



**LATE TESTIMONY**

KURT KAWAFUCHI  
DIRECTOR OF TAXATION

SANDRA L. YAHIRO  
DEPUTY DIRECTOR

STATE OF HAWAII  
DEPARTMENT OF TAXATION  
P.O. BOX 259  
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PHONE NO: (808) 587-1510  
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**SENATE COMMITTEE ON TOURISM & GOVERNMENT OPERATIONS**

**TESTIMONY REGARDING SB 2866  
RELATING TO THE TRANSIENT ACCOMODATIONS TAX**

**TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)**  
**DATE: JANUARY 31, 2008**  
**TIME: 1:15PM**  
**ROOM: 229**

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This legislation provides a transient accommodations tax credit for hotels furnishing blocks of rooms for Hawaii convention center bookings, provided that the block of rooms is made available at an unspecified discount from the average hotel room rate as calculated by the Hawaii tourism authority for the time period of the event.

The Department of Taxation (Department) takes **no position** on this legislation and **provides technical comments**.

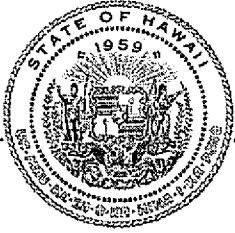
**I. THE BILL FAILS TO STATE THE MEASURE OF THE CREDIT**

The Department has concerns over the current drafting of this bill. The bill as drafted does not specify the amount of the credit. Presumably, the amount of the credit is equal to the amount of the transient accommodations tax. However, the amount of the credit should be clearly set forth by the Legislature. In addition, it is unclear whether the credit is based on all amounts paid by the hotel for transient accommodations tax, or on the block of rooms that was reserved, or the rooms that were actually occupied by convention attendees.

**II. THE MEASURE SHOULD SET TIME DEADLINES FOR CLAIMING OF THE CREDIT**

The measure as drafted only requires that claims for the credit be filed with the transient accommodations tax annual return or any amended return. The Department suggest that a time deadline be imposed under which all claims for credit must be filed, and failing such deadline, deeming the credit waived. The Department suggests the following language:

Every claim, including amended claims, for a tax credit under this section shall be filed on or



LINDA LINGLE  
GOVERNOR  
MARSHA WIENERT  
TOURISM LIAISON

## TOURISM LIAISON

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813  
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804

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Written statement of  
**MARSHA WIENERT**  
**Tourism Liaison**  
Department of Business, Economic Development & Tourism  
before the  
**SENATE COMMITTEE ON TOURISM & GOVERNMENT OPERATIONS**  
Thursday, January 31, 2008  
1:15 p.m.  
State Capitol, Conference Room 229

in consideration of  
**SB 2866**  
**RELATING TO THE TRANSIENT ACCOMMODATIONS TAX.**

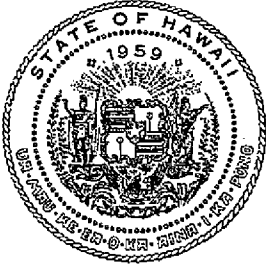
Chair Nishihara and Members of the Senate Committee on Tourism & Government Operations.

The Department of Business, Economic Development and Tourism has concerns with SB 2866, which provides a transient accommodations tax credit for hotels furnishing blocks of rooms for Hawaii Convention Center bookings.

It is our understanding that hotels that work with the convention center already offer a discounted room rate for groups without a tax incentive. We do not understand the need for a tax incentive.

Therefore, we must oppose this bill as it would divert transient accommodations tax revenue from the counties and the Hawaii Tourism Authority and could create significant problems to implement.

Thank you for the opportunity to comment on SB 2866.



# Hawaii Tourism Authority

Hawaii Convention Center, 1801 Kalakaua Avenue, Honolulu, Hawaii 96815  
Website: [www.hawaii.gov/tourism](http://www.hawaii.gov/tourism)

Telephone: (808) 973-2255  
Fax: (808) 973-2253

LINDA LINGLE  
Governor

REX D. JOHNSON  
President and Chief Executive Officer

Testimony of  
**Rex Johnson**  
President and Chief Executive Officer  
Hawai'i Tourism Authority  
on  
**S.B. 2866**  
**Relating to the Transient Accommodations Tax**

Senate Committee on Tourism & Government Operations  
Thursday, January 31, 2008  
1:15 p.m.  
Conference Room 229

The Hawai'i Tourism Authority (HTA) opposes S.B. 2866, which establishes a tax credit to a hotel providing a block of rooms at a discount in connection with an event at the Hawaii Convention Center.

There are a number of problems with the bill:

- (1) With regard to the average hotel room rate, there is a huge difference between the rates for hotels on the beach and properties on the Ala Wai and all places in between;
- (2) Negotiating a block of rooms is difficult, however, this is largely a function of the price of that block, again related to the average hotel room rate; and
- (3) There will be an estimated loss to the Tourism Special Fund of \$3 million, \$4 million to the counties, and \$2 million to the general fund.

In addition, there are a couple of technical errors:

- (1) "Transient accommodations" are defined in section 237D-1 not 237-2; and
- (2) Tax credits are usually taken against income so this amendment should probably be made to the income tax law.

Thank you for the opportunity to provide these comments.



**HAWAII HOTEL & LODGING  
ASSOCIATION**

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30<sup>th</sup> Anniversary  
Are You Walking???  
May 17, 2008  
(Always the 3<sup>rd</sup> Saturday in May)  
[www.charitywalkhawaii.org](http://www.charitywalkhawaii.org)

**TESTIMONY OF MURRAY TOWILL  
PRESIDENT  
HAWAII HOTEL & LODGING ASSOCIATION**

**January 31, 2008**

**RE: SB 2866 Relating to the Transient Accommodations Tax**

Good afternoon Chairman Nishihara and members of the Senate Committee on Tourism & Government Operations. I am Murray Towill, President of the Hawaii Hotel & Lodging Association and I appreciate this opportunity to present testimony today.

The Hawaii Hotel & Lodging Association is a statewide association of hotels, condominiums, timeshare companies, management firms, suppliers, and other related firms and individuals. Our membership includes over 170 hotels representing over 47,300 rooms. Our hotel members range from the 2,523 rooms of the Hilton Hawaiian Village to the 4 rooms of the Bougainvillea Bed & Breakfast on the Big Island.

The Hawaii Hotel & Lodging Association does not support SB 2866 Relating to the Transient Accommodations Tax. We applaud the idea of seeking to incentivize hotels for providing rooms at good rates for conventions. We are optimistic, however that this objective can be accomplished without the need for tax credits.

We believe that enhanced contract and communication at the highest levels of SMG and the leaders of the major convention hotels can achieve the same objective. This communication needs to focus on the number of rooms being made available in room blocks and the quoted rates. SMG needs to be able to contact the properties with feedback on the need for more rooms or room rates necessary to secure the business.

We are especially confident that this communication will be successful since SMG is in the process of obtaining a new leader for their marketing team. SMG is conducting an extensive search process with input from their industry partners.

We are confident that improved communication and cooperation will help lead to resolving the issues targeted in this bill. We are concerned that this bill if enacted would lead to a reduction in funds flowing to the Hawaii Tourism Authority ("HTA"). We are especially concerned about a reduction in funds for the HTA due to the economic uncertainties in many of our major markets in recent months.

Again, mahalo for this opportunity to testify on this measure.

before the end of the twelfth month following the close of the taxable year for which the credit may be claimed. Failure to comply with the foregoing provision shall constitute a waiver of the right to claim the credit.

**III. THE MEASURE SHOULD PROVIDE A CERTIFICATION FROM THE HAWAII TOURISM AUTHORITY**

The Department also notes that it will encounter difficulty in administering this legislation. The Department will have to conduct extensive auditing to determine if the hotel did have a reserved block of rooms available at the required discount. The Department suggests that it is more practical to have the hotel obtain a certification from the Hawaii Tourism Authority that the hotel did make such rooms available.

**IV. REVENUE ESTIMATE**

The Department cannot estimate the revenue loss because no credit amount has been set forth.

## L E G I S L A T I V E

**LATE TAXBILLSERVICE**

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

**SUBJECT:** TRANSIENT ACCOMMODATIONS, Credit for providing rooms for convention center bookings

**BILL NUMBER:** SB 2866

**INTRODUCED BY:** Kim, Sakamoto, 6 Democrats and 1 Republican

**BRIEF SUMMARY:** Adds a new section to HRS chapter 237D to provide that a hotel that provides at least \_\_\_\_\_ rooms in conjunction with an event at the Hawaii convention center may claim a transient accommodation tax credit, if the hotel offers the rooms at a discount rate of \_\_\_\_% of the average hotel room rate as calculated by the Hawaii tourism authority at the time of the event.

Directs the director of taxation to prepare the necessary forms to claim the credit, may require proof of the claim for the credit, and may adopt rules pursuant to HRS chapter 91. Claims for the credit, including any amended claims, shall be filed with the annual return under HRS section 237D-7.

**EFFECTIVE DATE:** Tax years beginning after December 31, 2007

**STAFF COMMENTS:** This measure is proposed to encourage hotels to provide rooms at discounted room rates in conjunction with a booking at the Hawaii convention center by allowing hotels to claim a transient accommodations tax credit. It should be noted that the use of the tax system to encourage taxpayers to perform an action, in this case to provide hotel rooms at a discounted rate, is an inefficient and improper use of the tax system.

This measure would require the department of taxation to seek the guidance of the Hawaii tourism authority with respect to the average room rate and the discount that would qualify the hotel taxpayer for the credit proposed in this bill. All of this is added administrative burden which adds costs to the department's operation. It should be remembered that the tax system is designed to raise the money that lawmakers like to spend and should not be a social or economic engineering tool. This use represents an inefficient utilization of the tax system. The department has been saddled with all sorts of evaluation requirements to qualify taxpayers for this or that benefit for having undertaken some sort of activity or behavior. The department does not possess the various expertise required and thus, must incur additional costs to administer the law. This must come to a stop. If lawmakers wish to subsidize or reward residents for undertaking these activities, then they should lodge the subsidy program in a department that possesses the expertise to evaluate whether or not the person has met the standard that deserves the public subsidy.

It should be noted that while this measure proposes a tax credit, there is no credit amount specified in the measure. Giving tax breaks to one select group of taxpayers comes at the expense of all other taxpayers. As such, it is an insult to all other taxpayers that they are not deserving of such tax preferences.

Digested 1/31/08