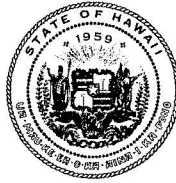


LINDA LINGLE
GOVERNOR

JAMES R. AIONA, JR.
LT. GOVERNOR



KURT KAWAFUCHI
DIRECTOR OF TAXATION

SANDRA L. YAHIRO
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809

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**HOUSE COMMITTEE ON TOURISM & CULTURE
TESTIMONY REGARDING HB 253
RELATING TO RATE HOTEL RENOVATION CREDIT**

TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)

DATE: FEBRUARY 9, 2009

TIME: 8:30AM

ROOM: 312

This bill would allow taxpayers an income tax credit equal to a percentage renovation costs incurred for qualified hotel facilities. This bill takes effect upon approval and shall apply to taxable years beginning after December 31, 2008.

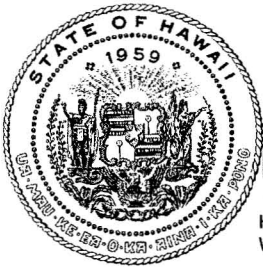
The Department of Taxation ("Department") opposes this bill because of its fiscal implications.

The Department supports the tourism industry and the importance of the economic activity this important industry brings to Hawaii. The Department acknowledges that having modern and newly renovated rooms are an important factor in maintaining the flow of tourists to this State. However, this legislative session this measure simply cannot be afforded.

The Department must be cognizant of the biennium budget and financial plan. This measure has not been factored into either. Given the forecasted decrease in revenue projections, this measure would add to the budget shortfall.

Revenue impact is estimated indeterminate due to the unspecified percentage amount. However, if it is assumed to be 4.0%, then the revenue loss would be about \$15.7 million in TY 2010 and thereafter.

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LINDA LINGLE
Governor

LLOYD I. UNEBASAMI
Interim President and
Chief Executive Officer

Hawai'i Tourism Authority

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Website: www.hawaii-tourism-authority.org

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Testimony of
Lloyd Unebasami
Interim President and Chief Executive Officer
Hawai'i Tourism Authority
on
H.B. 253
Relating to Hotel Renovation Tax Credit

House Committee on Tourism, Culture & International Affairs
Monday, February 9, 2009
8:30 a.m.
Conference Room 312

The Hawai'i Tourism Authority (HTA) supports H.B. 253 which proposes a hotel renovation tax credit for hotels with low daily and annual occupancy rates.

The HTA is tasked with marketing and promoting Hawai'i as a visitor destination. One of the keys to branding Hawai'i's visitor industry, is the improvement and enhancement of the tourism product, which includes the physical infrastructure. As such, the HTA supports H.B. 253 which provides a hotel renovation tax credit for qualified hotel facilities. The credit will be an incentive for the private sector to improve hotel facilities for visitors.

Thank you for the opportunity to provide these comments.

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**HAWAII HOTEL & LODGING
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May 16, 2009
(Always the 3rd Saturday in May)
www.charitywalkhawaii.org

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

February 9, 2009

RE: HB 253 Relating to Hotel Renovation Tax Credit

Good morning Chair Manahan and members of the House Committee on Tourism, Culture & International Affairs. I am Murray Towill, President of the Hawaii Hotel & Lodging Association.

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 supports the intent of HB 253 Relating to Hotel Renovation Tax Credit. This bill would provide a hotel renovation tax credit for hotels with low daily and annual occupancy rates. We support the intent of this measure as we do any measure that would help to stimulate the economy and create jobs.

This bill targets hotels that are doing especially poorly in regards to occupancy. The not unreasonable assumption is that this poor occupancy performance is based on the condition or quality of the facility. An additional factor may be the condition of the overall area does not allow the property to generate rates necessary to justify a renovation. If this bill is to move forward you may want to consider including properties in older resort areas where numerous properties are in need of renovation.

Mahalo again for this opportunity to testify.

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