

TOURISM LIAISON

LINDA LINGLE
GOVERNOR
MARSHA WIENERT
TOURISM LIAISON

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Statement of
MARSHA WIENERT
Tourism Liaison
Department of Business, Economic Development & Tourism
before the
HOUSE COMMITTEE ON FINANCE
Wednesday, March 25, 2009
4:00 p.m.
State Capitol, Conference Room 308

in consideration of
SB 1111 SD1
RELATING TO TAXATION.

Chair Oshiro, Vice Chair Lee and Members of the House Committee on Finance.

The Department of Business, Economic Development and Tourism has grave concerns regarding SB 1111 SD1. While we appreciate the intent to explore all potential avenues of revenue to help balance the budget, we cannot support raising the transient accommodations tax at this time.

SB 1111 SD1 would increase the rate of the transient accommodations tax beginning July 1, 2009 and require the additional revenues collected from the increase to be deposited into the general fund.

The challenges of the U.S. and world economies are having a major impact on Hawai'i's visitor industry. Hawai'i ended 2008 with a 10.8% decrease in visitor arrivals and a 9.9% decrease in visitor spending (\$1.2 billion). Visitor arrivals in January were down 12.5% and visitor expenditures decreased 13.6%, or \$149 million. Our recent economic outlook for 2009 is projecting a continued decline of visitors and visitor spending this year.

Our visitor industry, through aggressive marketing and package pricing, has been able to soften the downward spiral in visitor arrivals to a small degree because of the lucrative "value" message that is currently in the marketplace. Raising the transient accommodations tax at this time has the potential of offsetting the positive media coverage that Hawai'i has received as being a value destination.

Now is not the time to increase the transient accommodations tax. Our visitor industry is having a difficult time as it is convincing visitors to come. Further decreases in visitors will result in more of our residents being laid off. We need to bolster the visitor industry so that we can keep our residents employed, not tax it further.

Thank you for allowing me to comment on SB 1111 SD1.

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

PHONE NO: (808) 587-1510
FAX NO: (808) 587-1560

**HOUSE COMMITTEE ON FINANCE
TESTIMONY REGARDING SB 1111 SD 1
RELATING TO TAXATION**

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

DATE: MARCH 25, 2009

TIME: 4PM

ROOM: 308

This measure proposes to increase the transient accommodations tax by an unspecified amount, with the increase being deposited to the benefit of the general fund.

The Department of Taxation (Department) **opposes this tax increase.**

The Department has concerns with the tax increase in this measure. The Department points out that it is a well-settled principle of economics that when an economy is slowing, increasing taxes is strongly discouraged because people will be less able to pay for the added costs of increased taxes.

During economic slowing, economics suggests that money should remain with the people and in the economy in order to boost economic performance. The Department cautions further consideration of this legislation during a slowing economy based upon these economic concepts.

The Department is particularly concerned with the negative impact this tax increase could have on the State's already delicate tourism industry. Recent studies and data show that Hawaii's tourism industry is hurting badly. Increasing the tax on this industry, thus making Hawaii more expensive and a less favorable destination, could force Hawaii's economy into further disarray.

This legislation will result in an indeterminate revenue impact due to the blank amounts.



HAWAII GOVERNMENT EMPLOYEES ASSOCIATION

AFSCME Local 152, AFL-CIO

RANDY PERREIRA
Executive Director
Tel: 808.543.0011
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The Twenty-Fifth Legislature, State of Hawaii House of Representatives Committee on Finance

Testimony by
Hawaii Government Employees Association
March 25, 2009

S.B. 1111, S.D. 1 – RELATING TO TAXATION

The Hawaii Government Employees Association supports the purpose and intent of S.B. 1111, S.D. 1. This bill proposes to increase the transient accommodations tax (TAT) by an unspecified amount beginning July 1, 2009. The additional revenue would be placed into the State's general fund.

We support raising additional revenues through the TAT and placing the revenues into the general fund as one of several alternatives. We also support raising income tax rates on high income earners. Further, another viable option is S.B. 1346, S.D. 2, which combines an unspecified increase in the general excise tax with strategically-targeted tax relief that will help many taxpayers and make the overall tax system more progressive.

The current budgetary challenges require some type of tax increase to avoid the negative effects of deep budget cuts. While tax increases reduce economic activity, they have a smaller impact on consumption because some of the money paid in taxes might otherwise have been saved rather than spent. Modest tax increases on those with high incomes and visitors are less harmful to the economy than significant budget reductions.

Careful consideration of budget choices, including tax credits (expenditures), is also warranted.

Thank you for the opportunity to testify in support of S.B. 1111, S.D. 1.

Respectfully submitted,

Nora A. Nomura
Deputy Executive Director

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: TRANSIENT ACCOMMODATIONS, Increase rate; disposition for general fund

BILL NUMBER: SB 1111, SD-1

INTRODUCED BY: Senate Committee on Ways and Means

BRIEF SUMMARY: Amends HRS section 237D-2 to increase the tax on transient accommodations to ___% beginning on January 1, 2009 and thereafter.

Amends HRS section 237D-6.5 to provide that the difference in transient accommodation tax proceeds deposited into the tourism special fund that are attributable to the increase in the tax rate as of January 1, 2009 shall be deposited into the general fund.

EFFECTIVE DATE: July 1, 2009

STAFF COMMENTS: This measure proposes to increase the transient accommodations tax (TAT) to ___% and provide that the amount derived from the increase shall be deposited into the general fund.

While the rate of the TAT is not specified in the measure, it should be remembered that the TAT actually hurts those who depend on the discretionary spending of visitor dollars. Lodging and its attendant taxes must be paid before there is one dollar to spend on souvenirs, tours, entertainment, and food. Thus, hiking the TAT rate merely hurts the small businesses dependent on the visitors' discretionary spending.

Given the current downturn, the limited dollars from the visitor means less economic activity for the industry as a whole. If lawmakers are expecting an increase in revenues, they should stop to realize that with a dwindling number of visitors, any increase in the TAT rate will make a Hawaiian vacation all that more expensive and unattractive.

While it may be argued that TAT dollars are being paid by visitors to Hawaii, it should be remembered that for every dollar that is spent to pay the TAT obligation, it is one less dollar that is spent in the state's economy. It is one less pair of slippers purchased or one less restaurant meal or one less catamaran ride taken by the visitors. So in the larger sense these are not "free" dollars, but dollars that could be flowing back into the economy to generate additional income for Hawaii's people and creating additional jobs for the community.

Finally, it should be noted that not only would the receipts from the increase in the rate being proposed go into the general fund, but that siphoning of revenues would be made permanent unlike many of the other bills being proposed this session to make up the general fund shortfall. Care should be exercised in setting up a dependency in the long term on this source to fund general fund programs. It should be remembered that in 1974, the Governor's Ad Hoc Commission on Operations Revenues and Expenditures (CORE) recommended that a tax on hotel rentals be enacted only in the case of extreme emergency as the tax would be exportable. Since that time, of course, the TAT was adopted largely to

pay for the state convention center and to provide a stable source for promotion of the visitor industry. Understandably, the current financial crisis is one of those occurrences that the Commission alluded to in its report more than 30 years ago. However, making the TAT an on-going source of financing for the general fund will only lead to increased spending and expansion of government when the economy turns around. If an increase is to be adopted, it should, along with other proposals to increase tax rates and fees, be temporary and a sunset date should be adopted to evaluate whether or not the financial crisis continues to exist.

Digested 3/23/09



Testimony to the House Committee on Finance
Conference Room 308, State Capitol
Wednesday, March 25, 2009; 4:00 p.m.
Agenda #3

RE: SENATE BILL NO. 1111 SD1, RELATING TO TAXATION

Chair Oshiro, Vice Chair Lee, and Members of the Committee:

The Chamber of Commerce of Hawaii and its Tourism Committee opposes SB 1111 SD1, relating to Taxation.

The Chamber is the largest business organization in Hawaii, representing more than 1,100 businesses. Approximately 80% of our members are small businesses with less than 20 employees. The organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

This measure increases the rate of the transient accommodations tax beginning on July 1, 2009, and requires the additional revenues collected from the increase to be deposited into the general fund.

The Chamber, through its Tourism Committee, encourages a broad base of understanding, support and appreciation for the Tourism and Travel Industries within the business community, Legislature and the general public. The committee also supports visitor industry growth and improvement while working to enhance the visitor experience.

The Chamber understands the value and significance of the tourism industry to Hawaii's economy. Any decline in this sector harms all businesses, including small businesses that solely rely on tourism and those outside of Waikiki. Unfortunately, the industry is being exponentially impacted by the current economic situation and as a result is having a trickling effect-affecting businesses, consumers, and households.

The priorities are to increase visitors, create jobs and put our people back to work. As a result, the Chamber believes it is critical to find ways to revitalize the industry and seek solutions that will not undermine some of the efforts that are being made within the industry. Increasing taxes, we believe, will hurt these efforts.

The Chamber of Commerce and its Tourism Committee, therefore, opposes SB 1111 and urges the committee to hold this measure.

Thank you for the opportunity to provide written comments.



**HAWAII HOTEL & LODGING
ASSOCIATION**

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E-Mail: hhaa@hawaiihotels.org
Website: www.hawaiihotels.org



31st Anniversary
Are You Walking???
May 16, 2009
(Always the 3rd Saturday in May)
www.charitywalkhawaii.org

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

March 25, 2009

RE: SB 1111 SD1 Relating to Taxation

Good afternoon Chairman Oshiro and members of the House Finance Committee. 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 2,860 rooms of the Hilton Hawaiian Village to the 4 rooms of the Bougainvillea Bed & Breakfast on the Big Island.

The Hawaii Hotel & Lodging Association opposes SB 1111 SD1 Relating to Taxation. SB 1111 SD1 would increase the Transient Accommodations Tax ("TAT") by an unspecified amount.

In 1999 the TAT was increased to 7 1/4%. Coupled with the GET, guests pay an 11.41% tax rate. On Oahu, this amount increased to 11.96% on 1/1/2007. Based on the 2007 annual average cost of a Hawaii hotel room and the 11.41% tax rate, the average tax bill would be \$22.80 per night. While the average U.S. room tax (sales tax and bed tax) is 12.46%, the lower U.S. average room rate results in the average tax of only \$12.91 per night. This amount is significantly below what a customer pays in Hawaii.

Hawaii has reached the point where added taxes hurt business. Destinations with the highest room taxes are business destinations like New York City, Washington D.C., San Francisco, Chicago and Seattle. In these destinations, most travelers are not paying the hotel bill themselves but rather charging it to their business. In resort destinations like Hawaii, our competitors tax rates are often lower (Las Vegas 9%, Ft. Lauderdale 11.3%, etc...). All of these destinations also have lower room rates due to lower costs of doing business thus leading to even lower tax bills for the customer. The cost of doing business and the cost of taxes are increasingly making us less competitive.

Now is absolutely the worst time to be increasing taxes. Hotels and other businesses throughout Hawaii are discounting to attract customers. The discounts and very attractive offers we have seen recently are helping to reduce the losses in visitor arrivals and hotel occupancy. This in turn is helping to keep people working. Anything that increases the cost of doing business will have a negative impact by making it more difficult to attract visitors and cost jobs.

This point is driven home by a 2008 study on room taxes undertaken by the American Economics Group. One of the study's conclusions was that tax increases of this type actually resulted in lost jobs and wages. The analysis for Hawaii indicated that each added percent of room tax would result in the loss of about 3,200 jobs. We urge you not to increase the TAT. In our current economic climate with businesses reducing rates to attract customers, a tax increase would make Hawaii less competitive and less successful in attracting customers.

We urge you to hold this measure. Mahalo again for this opportunity to testify.

**Testimony of Craig Anderson
General Manager
The Westin Maui Resort & Spa**



March 23rd 2009

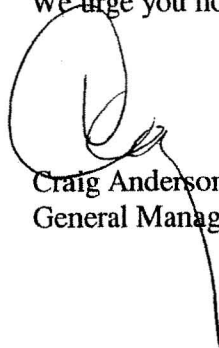
RE: SB 1111 SD1 Relating to Taxation

Aloha Chairman Oshiro and members of the House Finance Committee. I am Craig Anderson, General Manager of the Westin Maui Resort & Spa, a 758 room resort in the heart of Ka'anapali Maui. I am writing to you today in opposition of SB 1111 SD1 which calls for an un-specified increase in the Transient Accommodations Tax. I understand the current conditions of tax revenue and budget shortfalls as I am faced with significantly reduced operating revenues here at my resort as a result of the current economic climate.

Like many hotels and resorts here in Hawaii we have been forced to discount room rates in an attempt to drive occupancy. We hear from our customers daily that in these times affordability is an important and deciding factor in choosing a vacation destination or a location for a business meeting or incentive trip. Raising the TAT will not only negate the value pricing that our industry is offering to customers to get them come to Hawaii but will place at jeopardy all of the tax revenue that a visitor generates. While the intent of this bill is to increase tax revenues, an unintended consequence of raising the TAT could be less taxes, not more.

I also write to you on behalf of our 600 employees here at the Westin whose jobs are dependent upon occupancy. We all work diligently every day to provide great service for our guests to encourage word of mouth advertising while at the same time spending millions of dollars on marketing and advertising to drive business to our resort here on Maui. Raising taxes is not business friendly, but more importantly it's not visitor friendly and at a time like this, we need to be friendlier than ever before.

We urge you not to pass this bill. Mahalo for the opportunity to testify.



Craig Anderson
General Manager



4260 Lower Honopiilan Road
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Tel: (808) 669-1050
Fax: (808) 669-1348

**TESTIMONY OF RICHARD ZIMMERMAN
GENERAL MANAGER
KAHANA FALLS RESORT**

March 23, 2009

RE: SB 1111 SD1 Relating to Taxation

March 23, 2009

Aloha Chairman Oshiro and members of the House Financial Committee. I am Richard Zimmerman, General Manager of Kahana Falls Resort located in Lahaina, Maui. Our Resort consists of 70 timeshare units with 7140 Owners.

Kahana Falls Resort opposes SB 1111 SD1 Relating to Taxation. SB 1111 SD1 would increase the Transient Accommodations Tax (TAT) by an unspecified amount.

The last thing we need is to impose more taxes on the visitors to Hawaii, they are already paying too much in taxes now when you compare Hawaii with the rest of the US, almost twice as much as the average cost. This has got to be the worst time to increase taxes. It's hard enough now to get the visitors here, we don't need another excuse for them to use to not come to Maui.

We urge you to hold this measure. Mahalo for this opportunity to testify.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard Zimmerman", written over a horizontal line.

Richard Zimmerman
Resort General Manager
Kahana Falls Resort

STARWOOD

9002 San Marco Court
Orlando, Florida 32819
(407) 418-7271

March 25, 2009

To: Honorable Marcus R. Oshiro, Chair
Honorable Marilyn B. Lee, Vice Chair
House Committee on Finance

From: Robin Suarez, Vice President & Associate General Counsel for Starwood
Vacation Ownership

Re: **SB 1111 SD1 – RELATING TO TAXATION – OPPOSE**
Agenda #3 – House Committee on Finance
Hawai'i State Capitol, Conference Room 308 – 4:00 p.m.

Aloha Chair Oshiro, Vice Chair Lee and Members of the Committee:

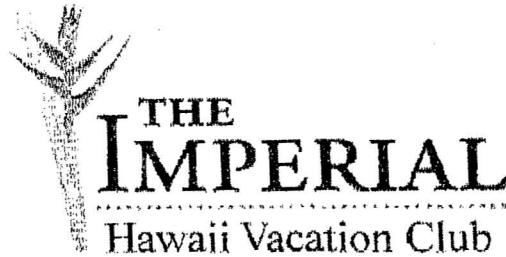
My name is Robin Suarez, Vice President & Associate General Counsel for Starwood Vacation Ownership, ("SVO"). I am testifying on behalf of SVO in opposition to SB 1111 SD1, Relating to Taxation.

This bill increases the rate of the transient accommodations tax beginning on July 1, 2009, and requires the additional revenues collected from the increase to be deposited into the general fund. The bill imposes additional economic burdens on visitors to timeshare resorts and the timeshare industry. Instead of making travel to Hawai'i more expensive, which this bill would do, the State of Hawai'i should consider ways to minimize the cost of travel and encourage more Hawai'i visits.

Timeshare resorts experience high and consistent rates of occupancy and customer satisfaction. During these difficult economic times, timeshare resorts and their customers should not be penalized by increased tax burdens. In addition to providing traditional resort operations jobs similar to hotel projects, timeshare resorts add high skilled and high compensated sales and marketing jobs. As such, timeshare resorts represent a valuable and diverse component of Hawai'i's important tourism market.

For these reasons, we respectfully request you to defer moving SB 1111 SD1 forward this session.

As always, I thank you for the opportunity to share our views on this matter.



March 24, 2009

TO: House Finance Committee
Representative Marcus Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair

FROM: Karina Villarroel
Executive Housekeeper
Imperial Hawaii Resort at Waikiki

DATE: Wednesday, March 25, 2009
Conference Room 308
4:00 p.m.

RE: SB 1111, SD1, Relating to Taxation

Chair Oshiro and Members of the Committee:

Karina Villarroel opposes SB 1111, SD1, which increases the rate of the transient accommodations tax beginning on July 1, 2009, and requires the additional revenues collected from the increase be deposited into the general fund. Increasing the transient accommodations tax in Hawaii will result in fewer visitors choosing to travel to our island state. Given our economic challenges, this is not something we should be doing.

The visitor industry in Hawaii is fighting hard to attract every customer it can during these tough economic times. We look forward to working with you in finding ways to increase visitors to Hawaii, and help keep us competitive with other resort destinations around the world.

I respectfully ask that you hold this measure. Thank you.



March 24, 2009

TO: House Finance Committee
Representative Marcus Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair

FROM: Marilyn C. Verner, Imperial Hawaii Resort, General Manager

DATE: Wednesday, March 25, 2009
Conference Room 308
4:00 p.m.

RE: SB 1111, SD1, Relating to Taxation

Chair Oshiro and Members of the Committee:

The Imperial Hawaii Resort opposes SB 1111, SD1, which increases the rate of the transient accommodations tax beginning on July 1, 2009, and requires the additional revenues collected from the increase be deposited into the general fund.

Increasing the transient accommodations tax in Hawaii will result in fewer visitors choosing to travel to our island state. Given our economic challenges, this is not something we should be doing.

The visitor industry in Hawaii is fighting hard to attract every customer it can during these tough economic times. We look forward to working with you in finding ways to increase visitors to Hawaii, and help keep us competitive with other resort destinations around the world.

I respectfully ask that you hold this measure. Thank you.

GOODSILL ANDERSON QUINN & STIFEL

A LIMITED LIABILITY LAW PARTNERSHIP LLP

GOVERNMENT RELATIONS TEAM:

GARY M. SLOVIN
CHRISTOPHER G. PABLO
ANNE T. HORIUCHI
MIHOKO E. ITOALI PLACE, SUITE 1300 • 1099 ALAKEA STREET
HONOLULU, HAWAII 96813MAIL ADDRESS: P.O. BOX 3196
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info@goodsill.com • www.goodsill.comINTERNET:
gslovin@goodsill.com
cpablo@goodsill.com
ahoriuchi@goodsill.com
meito@goodsill.com**MEMORANDUM**

TO: Representative Marcus R. Oshiro
Chair, Committee on Finance
Hawaii State Capitol, Room 306

FROM: Gary M. Slovin

DATE: March 24, 2009

RE: S.B. No. 1111, S.D.1 – Relating to Taxation
Hearing Date: Wednesday, March 25, 2009 at 4:00 p.m., Room 308;
Agenda #3

Dear Chair Oshiro and Members of the Committee on Finance:

I am Gary Slovin, testifying on behalf of Wyndham Worldwide. Wyndham Worldwide offers individual consumers and business-to-business customers a broad suite of hospitality products and services across various accommodation alternatives and price ranges through its portfolio of world-renowned brands. Wyndham Worldwide has substantial interests in Hawaii that include Wyndham Vacation Ownership, with its new resort at Waikiki Beach Walk.

Wyndham Worldwide respectfully opposes S.B. 1111, S.D.1, which proposes to increase the transient accommodations tax beginning on July 1, 2009, and requires the additional revenues collected from the increase to be deposited into the general fund. While we appreciate the budget difficulties facing the state, we believe that increasing the transient accommodations tax will have a severe negative impact on an already ailing tourism industry, in these challenging economic times. The visitor industry has continued to decline, and we believe the focus should be on efforts to promote tourism and attract visitors, rather than to raise taxes and further contribute to their decline in numbers.

We respectfully oppose this bill and ask that it be held.

Thank you very much for the opportunity to testify.



**Hawai'i
Association of
REALTORS®**
www.hawaii Realtors.com

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March 24, 2009

The Honorable Marcus R. Oshiro, Chair
House Committee on Finance
State Capitol, Room 308
Honolulu, Hawaii 96813

RE: S.B. 1111, S.D.1, Relating to Taxation

HEARING DATE: Wednesday, March 25, 2009 at 4:00 p.m.

Aloha Chair Oshiro and Members of the Committee on Finance:

I am Craig Hirai, a member of the Subcommittee on Taxation and Finance of the Government Affairs Committee of the Hawai'i Association of REALTORS® ("HAR"), here to testify on behalf of the HAR and its 9,600 members in Hawai'i. HAR **opposes** S.B. 1111, S.D.1, Relating to Taxation, which increases the rate of the Transient Accommodations Tax ("TAT").

HAR believes that most owners of short-term rentals will not be able to pass on a TAT increase to their tenants during these tough economic times, and that such an increase will only increase their expenses and possibly increase the losses on their rentals.

HAR looks forward to working with our state lawmakers in building better communities by supporting quality growth, seeking sustainable economies and housing opportunities, embracing the cultural and environmental qualities we cherish, and protecting the rights of property owners.

Mahalo for the opportunity to testify.



American Resort Development Association
c/o PMCI Hawaii 84 N. King Street Honolulu, HI 96817 (808) 536-5688

March 25, 2009

TO: House Finance Committee
Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair

FROM: Ed Thompson
ARDA-Hawaii

DATE: Wednesday, March 25, 2009
Conference Room 308
4:00 p.m.

RE: **SB 1111, SD1, Relating to Taxation**

Chair Oshiro and Members of the Committee:

ARDA-Hawaii is the local chapter of the national timeshare trade association. Hawaii's timeshare industry currently accounts for ten percent of the State's lodging inventory with 7,700 timeshare units and more planned in the future. Timeshare resorts experience high and consistent rates of occupancy and customer satisfaction.

ARDA-Hawaii opposes SB 1111, SD1, which increases the rate of the transient accommodations tax beginning on July 1, 2009, and requires the additional revenues collected from the increase be deposited into the general fund.

Adding to the tax burden of Hawaii's visitors would not be prudent at this time. We need to develop strategies to provide better value to visitors in order to be competitive with other visitor destinations throughout the world.

This measure will have a negative impact on tourism in Hawaii, which is suffering through its toughest economic times in years. Let's work to create ways to make Hawaii an attractive destination, not make us less competitive or less attractive to families who love to vacation in our island state.

We look forward to working with you in finding ways to increase visitors to Hawaii, and help keep us competitive with other resort destinations around the world.

We respectfully ask that you hold this measure. Thank you.



NO. 1971 P. 2
Doug Sears
General Manager

Grand Hyatt Kauai
Resort & Spa
1571 Poipu Road
Koloa, Kauai, HI 96756 USA

Telephone: 808.742.1234
FAX: 808.240.6591
E-mail: dsears@hyatt.com

TESTIMONY OF DOUG SEARS
GENERAL MANAGER
GRAND HYATT KAUAI RESORT AND SPA

March 25, 2009

RE: SB 1111 SD1 Relating to Taxation

Good afternoon Chairman Oshiro and members of the House Finance Committee. I am Doug Sears, General Manager of the Grand Hyatt Kauai Resort and Spa.

The Grand Hyatt Kauai Resort and Spa is a member of the Hawaii Hotels and Lodging Association (HH&LA) of which I am presently a board member of the Kauai Chapter and immediate past President.

HH&LA opposes SB 1111 SD1 Relating to Tourism. SB 1111 SD1 would increase the rate of the Transient Accommodations Tax ("TAT") beginning July 1, 2009, by an amount not specified, and would require the additional revenues collected from the increase to be deposited into the general fund.

In 1999, the TAT was increased from 6% to 7 ¼%. Coupled with the GET, our guests on Kauai pay an 11.42% tax rate. Although the U.S. average room tax (sales tax and bed tax) is 12.46%, the lower U.S. average room rate results in the average tax of only \$12.91 per night. This amount is significantly lower than what a guest pays in Hawaii.

With current economic conditions, an increase in taxes would hurt our business. Destinations with higher room taxes are business destinations like New York City, Washington DC, San Francisco, Chicago and Seattle. Most travelers staying in these cities are there on business and therefore, charging their hotel bill to their companies. The Grand Hyatt Kauai Resort and Spa and other hotels and resorts in Hawaii are considered resort destinations where customers are paying for their own hotel bill.

We strongly urge the House Finance Committee to not increase the TAT at this time. The visitor industry throughout Hawaii has offered discounted rates to attract customers to keep our employees working. Increasing taxes would definitely have a detrimental impact on our cost of doing business and would negatively contribute to the challenges we are currently facing with the reduction in visitor arrivals.

Thank you for the opportunity to testify.





March 24, 2009

Via Facsimile: 586-6201

House Finance Committee
Chairman Marcus Oshiro
Hawaii State Capital, Room 306
415 South Beretania Street
Honolulu, Hawaii 96813

RE: SB 1111 SD1 Relating to Tourism

Dear Chairman Oshiro:

My name is Kelvin Bloom. I am the Manager and President of Aston Hotels & Resorts, LLC, which manages 26 properties in the State of Hawaii representing approximately 4,600 rooms. I am writing regarding SB 1111 SD1 which would increase the Transient Accommodations Tax ("TAT") by an unspecified amount. Aston Hotels & Resorts opposes SB1111 SD1 Relating to Taxation.

Now would be the absolute worst time to increase taxes, particularly the TAT. Our visitor arrivals have declined, hotel occupancies have fallen, businesses are failing and individuals are losing their jobs. Anything that increases the cost of doing business will negatively impact Hawaii by making us less competitive, making it more difficult to attract visitors, and costing jobs.

We urge you to hold this measure.

Sincerely,

A handwritten signature in black ink, appearing to read "Kelvin Bloom", written over a horizontal line.

Kelvin Bloom
President

KB:krs

KB09-09

March 25, 2009

TO: House Finance Committee
Representative Marcus Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair

FROM: Anthony Gabriel, Reservations Manager of the Imperial Hawaii Resort at Waikiki

DATE: Wednesday, March 25, 2009
Conference Room 308
4:00 p.m.

RE: SB 1111, SD1, Relating to Taxation

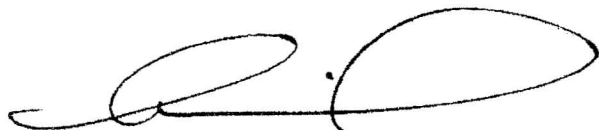
Chair Oshiro and Members of the Committee:

Anthony Gabriel opposes SB 1111, SD1, which increases the rate of the transient accommodations tax beginning on July 1, 2009, and requires the additional revenues collected from the increase be deposited into the general fund.

Increasing the transient accommodations tax in Hawaii will result in fewer visitors choosing to travel to our island state. Given our economic challenges, this is not something we should be doing.

The visitor industry in Hawaii is fighting hard to attract every customer it can during these tough economic times. We look forward to working with you in finding ways to increase visitors to Hawaii, and help keep us competitive with other resort destinations around the world.

We respectfully ask that you hold this measure. Thank you.



March 24, 2009

Representative Marcus Oshiro
House Finance Committee Chairman

Re: SB 1111 SD 1 Relating to Taxation

Dear Representative Oshiro,

Increasing the Transient Accomodation Tax (TAT) will result in a negative impact to our visitor industry resulting in less money in the long run for the state of Hawaii.

Hawaii's success as a tourism destination was built by the Kelly family which developed Outrigger hotels into a chain of hotels that average families could afford. With Hawaii's high cost of real estate and taxes our hotels already have the highest room rates in the nation, making Hawaii little more than a dream visit for most families.

When former Hawaii Hotel Association president Clem Judd, Jr. passed away so did the many years where we did not levy any special taxes on hotels. Clem, like his father before him, had successfully convinced the legislature that the visitor industry is key to so many jobs and the overall success to our economy and a tax would only burden this important industry causing a downturn.

I have been involved in the Hawaii hotel industry since 1985. I managed publications for hotel management and launched an internationally distributed hotel management magazine called *Host Lodging & Restaurant News* in 1992. The downturn from Sep 11, 2001 caused our magazine to shrink until its ultimate folding in 2005. In 1997 we had launched another company, Orbit Sales. In that effort we continue to distribute furnishings and supplies to Hawaii's hospitality businesses.

These past months have seen our phones stop ringing and emails stop ticking...perhaps that is why I have time to write this important letter. Development in the resort industry is suffering along with the companies that run it. Key people I have known for over 20 years, once thought to be indispensable, have now been dismissed and are on the streets in horror. These are people who were making good money and doing good jobs and their prospect of finding a position of similar quality in Hawaii is practically nil.

When the visitor industry hurts so does all of Hawaii. Please stay in tune with this truth and protect the ability for this key economic segment to profit and continue to offer quality employment to the people of Hawaii.

Thank you.

Robert Small
President, Orbit Sales
Tel 808-625-1000
Cell 808-282-4678

FINTestimony

From: mailinglist@capitol.hawaii.gov
sent: Tuesday, March 24, 2009 9:36 AM
To: FINTestimony
Cc: garrick.otsuka@hilton.com
Subject: Testimony for SB1111 on 3/25/2009 4:00:00 PM

Testimony for FIN 3/25/2009 4:00:00 PM SB1111

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Garrick Otsuka
Organization: Doubletree Alana Hotel Waikiki
Address: 1956 Ala Moana Blvd. Honolulu, HI
Phone: 808-951-3129
E-mail: garrick.otsuka@hilton.com
Submitted on: 3/24/2009

Comments:

TESTIMONY OF GARRICK OTSUKA
DIRECTOR OF FRONT OFFICE OPERATIONS
DOUBLETREE ALANA HOTEL WAIKIKI
March 25, 2009

RE: SB 1111 SD1 Relating to Taxation

Good afternoon Chairman Oshiro and members of the House Finance Committee. I am Garrick Otsuka, Director of Front Office Operations at the Doubletree Alana Hotel Waikiki. The Doubletree Alana Hotel opposes SB 1111 SD1 Relating to Taxation. SB 1111 SD1 would increase the Transient Accommodations Tax ("TAT") by an unspecified amount. In 1999 the TAT was increased to 7 1/4%. Coupled with the GET, guests pay an 11.41% tax rate. On Oahu, this amount increased to 11.96% on 1/1/2007. Based on the 2007 annual average cost of a Hawaii hotel room and the 11.41% tax rate, the average tax bill would be \$22.80 per night. While the average U.S. room tax (sales tax and bed tax) is 12.46%, the lower U.S. average room rate results in the average tax of only \$12.91 per night. This amount is significantly below what a customer pays in Hawaii. Hawaii has reached the point where added taxes hurt business. Destinations with the highest room taxes are business destinations like New York City, Washington D.C., San Francisco, Chicago and Seattle. In these destinations, most travelers are not paying the hotel bill themselves but rather charging it to their business. In resort destinations like Hawaii, our competitors tax rates are often lower (Las Vegas 9%, Ft. Lauderdale 11.3%, etc...). All of these destinations also have lower room rates due to lower costs of doing business thus leading to even lower tax bills for the customer. The cost of doing business and the cost of taxes are increasingly making us less competitive. Now is absolutely the worst time to be increasing taxes. Hotels and other businesses throughout Hawaii are discounting to attract customers. The discounts and very attractive offers we have seen recently are helping to reduce the losses in visitor arrivals and hotel occupancy. This in turn is helping to keep people working. Anything that increases the cost of doing business will have a negative impact by making it more difficult to attract visitors and cost jobs. This point is driven home by a 2008 study on room taxes under taken by the American Economics Group. One of the study's conclusions was that tax increases of this type actually resulted in lost jobs and wages. The analysis for Hawaii indicated that each added percent of room tax would result in the loss of about 3,200 jobs. We urge you not to increase the TAT. In our current economic climate with businesses reducing rates to attract customers, a tax increase would make Hawaii less competitive and less successful in attracting customers. We urge you to hold this measure. Mahalo again for this opportunity to testify.

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, March 24, 2009 2:08 PM
To: FINTestimony
Cc: bayakawa@imperialofwaikiki.com
Subject: Testimony for SB1111 on 3/25/2009 4:00:00 PM

Testimony for FIN 3/25/2009 4:00:00 PM SB1111

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Bryan Ayakawa
Organization: Imperial Hawaii Resort at Waikiki
Address: 205 Lewers St. Honolulu, HI
Phone: (808) 923-1827
E-mail: bayakawa@imperialofwaikiki.com
Submitted on: 3/24/2009

Comments:

March 25, 2009

TO: COMMITTEE ON FINANCE
Representative Marcus Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair

FROM: Denise M. Kaehu
Hawaii Escrow & Title, Inc.

DATE: Wednesday, March 25, 2009
Conference Room 308
4:00 p.m.

RE: **SB 1111, SD1, Relating to Taxation**

Chair Oshiro and Members of the Committee:

Hawaii Escrow & Title, Inc. **opposes SB 1111, SD1**, which increases the rate of the transient accommodations tax beginning on July 1, 2009, and requires the additional revenues collected from the increase be deposited into the general fund.

Increasing the transient accommodations tax in Hawaii will result in fewer visitors choosing to travel to our island state. Given our economic challenges, this is not something we should be doing.

As a result of our current economic times any increases in taxes to the consumer and visitor industry makes it increasingly more difficult to make our vacation properties attractive to consumers. The decrease in sales results in the potential loss in income for the escrow companies, title companies, realtors, persons whose jobs depend on visitor sales, our State conveyance taxes, recording fees and general excise taxes.

The visitor industry in Hawaii is fighting hard to attract every customer it can during these tough economic times. We look forward to working with you in finding ways to increase visitors to Hawaii, and help keep us competitive with other resort destinations around the world.

We respectfully ask that you hold this measure. Thank you.