

SB 1111



LINDA LINGLE
Governor

LLOYD I. UNEBASAMI
Interim President and
Chief Executive Officer

Hawai'i Tourism Authority

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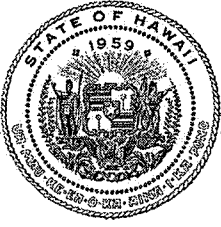
Testimony of
Lloyd I. Unebasami
Interim President and Chief Executive Officer
Hawai'i Tourism Authority
on
S.B. 1111
Relating to Taxation

Senate Committee on Ways and Means
Wednesday, March 4, 2009
9:30 a.m.
Conference Room 211

The Hawai'i Tourism Authority (HTA) strongly opposes S.B. 1111, which proposes to increase the transient accommodations tax (TAT) by an unspecified percentage with the excess revenues deposited into the general fund.

During these difficult economic times, Hawai'i's visitor industry is competing with other destinations worldwide for those customers who are still willing and able to travel to a leisure destination. Other destinations are offering significant discounts, free nights, and low-price offerings to attract such visitors. Raising the TAT at this time will put Hawai'i's visitor industry at a competitive disadvantage. However, by maintaining the TAT at its present level and allowing Hawai'i properties to offer competitive discounts and special packages which demonstrate the value of the Hawai'i vacation, our industry will be able to attract visitors, who may not otherwise choose to travel. Attracting these visitors to Hawai'i will draw new dollars into the state's economy in terms of visitor spending and also help to maintain the 38 percent in general excise tax revenues that come from visitor spending.

Thank you for the opportunity to offer these comments.



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

Telephone: (808) 586-2362
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Written statement of
MARSHA WIENERT
Tourism Liaison

Department of Business, Economic Development & Tourism
before the

SENATE COMMITTEE ON WAYS AND MEANS

Wednesday, March 4, 2009

9:30 a.m.

State Capitol, Conference Room 211

in consideration of

SB 1111

RELATING TO TAXATION.

Chair Kim, Vice Chair Tsutsui and Members of the Senate Committee on Ways and Means.

The Department of Business, Economic Development and Tourism has grave concerns regarding SB 1111. 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 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.

GOODSILL ANDERSON QUINN & STIFEL

A LIMITED LIABILITY LAW PARTNERSHIP LLP

GOVERNMENT RELATIONS TEAM:
GARY M. SLOVIN
CHRISTOPHER G. PABLO
ANNE T. HORIUCHI
MIHOKO E. ITO

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MEMORANDUM

TO: Senator Donna Mercado Kim
Chair, Committee on Ways & Means
Hawaii State Capitol, Room 210
Via email: WAMTestimony@Capitol.hawaii.gov

FROM: Gary M. Slovin

DATE: March 3, 2009

RE: S.B. No. 1111 – Relating to Taxation
Hearing Date: Wednesday, March 4, 2009 at 9:30 a.m., Room 211

Dear Chair Kim and Members of the Committee on Ways & Means:

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, 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 severely 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 during these tough economic times.

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

Thank you very much for the opportunity to testify.

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

INTRODUCED BY: Nishihara, Chun Oakland, Hooser, Tsutsui, and 3 Democrats

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

SB 1111 - Continued

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 3/3/09



**HAWAII HOTEL & LODGING
ASSOCIATION**

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(Always the 3rd Saturday in May)
www.charitywalkhawaii.org

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

March 4, 2009

RE: SB 1111 Relating to Taxation

Good morning Chairperson Kim and members of the Senate Ways & Means 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 2,523 rooms of the Hilton Hawaiian Village to the 4 rooms of the Bougainvillea Bed & Breakfast on the Big Island.

The Hawaii Hotel & Lodging Association opposes SB 1111 Relating to Taxation. SB 1111 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 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.

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

March 3, 2009



To: Senate Ways & Means Chair Donna Kim on SB 1111 Relating to Taxation.

WEDNESDAY, MARCH 4, 2009 9:30 am
STATE CAPITOL'S CONFERENCE ROOM 211
(415 South Beretania Street)

Dear Ms. Kim:

I am writing to you today to express my opinion regarding the proposed T.A.T. tax increase. As you know, we are in an economic downturn that does not show any signs of improvement in the near future. Some economists are even predicting that it may take more than a year before any significant change will occur.

Hawaii is unique in that most people come here for leisure purposes, as well as for business. An increase in any type of tax would definitely hurt Hawaii businesses. Our prices here are already higher than almost anywhere else on the Mainland, and before people decide to come here, they are going to look at the costs involved. Many may look towards Mexico or Canada as cheaper alternatives. Hoteliers across the state have discounted their rates drastically to try to attract guests. We have learned that in tough economic times, people are more rate driven than normal. Raising taxes is exactly the opposite thing to do to attract people here. Hoteliers and business people everywhere know that they have to try everything possible to try and get the people to come to their establishment. Raising taxes will NOT accomplish this goal. In fact, government should look at this state's business leaders and take a lesson from them. We should be lowering taxes, right alongside of the people who are lowering their prices. Together, this would go a long way to attract more people to our state.

On behalf of Holiday Inn Waikiki, I respectfully ask that you do not raise our taxes. This move would hurt our business and could ultimately end up with us having to lay off our employees, and possibly even close our business if things get worse. Then there would be no tax revenue coming from us at all. Please look at this bill very closely and vote to turn it down.

Mahalo for listening!

A handwritten signature in black ink, appearing to read "Rick Valcourt", with a long horizontal flourish extending to the right.

Rick Valcourt, Operations Manager
Holiday Inn Waikiki

Before the Senate Ways and Means Committee**Wednesday, March 4, 2009 at 9:30 AM****State Capitol's Conference Room 211****Re: Support of SB 1111
Relating to TAT Increase**

Fax to Committee Clerk 808-586-6659

Chair, Senator Donna Kim

Good morning Chairperson Kim and members of the Senate Ways & Means Committee. I am Donald Yannell, Senior Vice President, First Hawaiian Bank-Waikiki Branch. I am also Treasurer of the Hawaii Hotel and Lodging Association.

The Hawai'i 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 Hawai'i Hotel & Lodging Association opposes SB 1111 Relating to Taxation. SB 1111 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 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.

We urge you to hold this measure. Mahalo for this opportunity to submit written comments.

**TESTIMONY OF MICHAEL JOKOVICH
GENERAL MANAGER
HYATT REGENCY MAUI RESORT AND SPA**

March 4, 2009

RE: SB 1111 Relating to Taxation

Good morning chairperson Kim and members of the Senate Ways & Means Committee.

As general manager of an 806 room resort in Ka'anapali, Maui, I view the proposal to raise the Transient Accommodations Tax as yet another blow to our resort operation, which is already reeling from a significant decrease in occupancy, and it will have an equally harsh impact on all hotel operations throughout our State.

A Hawaiian vacation is no small budget item for the average family and recent events, resulting in reduced airline seats and increased fares, has only made it more difficult for many. We have already witnessed advertising campaigns urging US travelers to vacation in Mexico ("Just like Hawaii but cheaper.") and we have experienced some of our group businesses choosing less expensive locations for their meetings.

The last thing we need at this time is to put an additional price tag on a Hawaii vacation by increasing taxes. Our resort, along with many Maui properties, has been struggling to maintain market share by aggressively marketing special packages and discounted rates but to replace a reduced room rate with a higher tax rate would simply negate these efforts.

Tourism is the backbone of the Hawaiian economy and a major provider of jobs. If we are all to weather the difficult times ahead, we should be doing everything possible to ensure the survival of this critical industry.

For the benefit of all Hawaiians, I urge you to vote against this measure.

Mahalo,


Michael Jokovich

TESTIMONY OF Juanita C. Liu, Ph.D.
Interim Dean and Professor
School of Travel Industry Management
March 4, 2009
RE: SB 1111 Relating to Taxation

Chairperson Kim and members of the Senate Ways & Means Committee:

I am submitting this testimony opposing the passage of SB 1111 Relating to Taxation, which proposes to increase the Transient Accommodations Tax (TAT) by an unspecified amount. The current TAT rate at 7 1/4%, along with GET, means that our visitors must now pay a total 11.41% tax rate, or 11.96% on Oahu. This adds \$22.80 per night that our visitors would have to pay, which is almost double what the average U.S. visitor pays at \$12.91 due to lower average U.S. room rate. Adding to the tax burden at a time in which Hawai`i needs to develop strategies to provide a better value to visitors in order to be more competitive, would not be prudent at this time.

The research that I have conducted on the direct and indirect contributions of tourism to the Hawai`i economy have shown that the visitor industry contributes a fourth of the State Domestic Product and up to one-third of the jobs and government revenues. As the primary industry upon which the State depends on for earned external dollars, it is tempting to rely on direct visitor spending to increase overall tax revenues. However, that has to be weighed against the costs of adding to the negative perception of Hawai`i being an expensive destination that we can ill afford at this time of double digit declines in tourism. Hence, I urge the committee to hold this measure.

Thank you for this opportunity to testify.

March 4, 2009

TO: Senate Ways and Means Committee
Senator Donna Mercado Kim, Chair
Senator Shan S. Tsutsui, Vice Chair

FROM: Karina Villarroel
Executive Housekeeper
Imperial Hawaii Resort

DATE: Wednesday, March 4, 2009
Conference Room 211
9:30 a.m.

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

Chair Kim and Members of the Committee:

Karina Villarroel opposes SB 1111, 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 4, 2009

TO: Senate Ways and Means Committee
Senator Donna Mercado Kim, Chair
Senator Shan S. Tsutsui, Vice Chair

FROM: Imperial Hawaii Resort
Derek J. Carvalho, Operations Manager

DATE: Wednesday, March 4, 2009
Conference Room 211
9:30 a.m.

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

Chair Kim and Members of the Committee:

Derek J. Carvalho opposes SB 1111, 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 3, 2009

TO: Senate Ways and Means Committee
Senator Donna Mercado Kim, Chair
Senator Shan S. Tsutsui, Vice Chair

FROM: The Imperial Hawaii Resort
Marilyn Verner, General Manager

DATE: Wednesday, March 4, 2009
Conference Room 211
9:30 a.m.

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

Chair Kim and Members of the Committee:

The Imperial Hawaii Resort opposes SB 1111, 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.

'Ilima Hotel

445 Nohonani St

Honolulu, HI 96815

Phone 923-1877

email: psammer@ilima.com

**TESTIMONY OF PHIL SAMMER
GENERAL MANAGER
'ILIMA HOTEL**

March 4, 2009

RE: SB 1111 Relating to Taxation

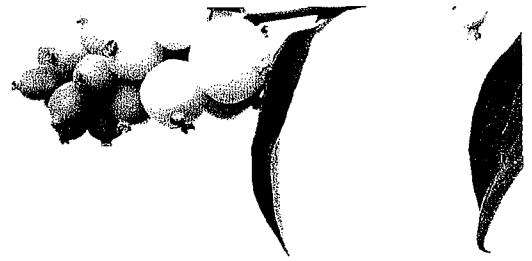
Chairperson Kim and members of the Senate Ways & Means Committee:

I am writing to state my opposition to SB 1111 which would raise the Transient Accommodation Tax by an unspecified amount.

This is absolutely the worst time to consider an increase on a tax that directly affects all those who use transient accommodations in our state including local residents. The current economic conditions are already affecting occupancies and rates in our industry and a tax increase would simply make it even more difficult for a visitor to consider vacationing in Hawai'i. In addition, it is never good policy to try to balance the budget on the backs of those who cannot vote on paper, for they will surely vote with their feet. Alternatives to a Hawai'i vacation abound. Let's not make it easier for the potential guest to chose Mexico, Europe or another more competitive destination.

Fewer visitors mean less money flowing into our economy which translates inevitably into fewer jobs for your constituents. Please think twice before putting their livelihoods into jeopardy.

Thank you for this opportunity to testify.



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

**March 2, 2009
RE: SB 1111 Relating to Taxation**

Good morning Chair Kim and members of the Senate Committee on Ways and Means. I am Craig Anderson General Manager of the Westin Maui Resort & Spa in Ka'anapali. The Westin Maui opposes SB 1111 relating to raising the TAT% and depositing the proceeds into the General Fund.

First, in these economic times Hawaii and Maui are experiencing significant reductions in visitor arrivals due in part to the costs associated with a trip to our islands from the mainland. Many if not all hotels here in Hawaii are significantly discounting room rates to help make the cost of a vacation or business trip affordable. Raising the TAT would not only negate the efforts of the industry to provide value to visitors, and would send a strong message that Hawaii targets visitors to fund infrastructure and service needs provided to both Kama'aina and visitors

Additionally, the tax revenue shortfalls have had widespread impact across our state. As the TAT revenues have declined with lower occupancies, the funding for HTA has dropped which has resulted in less money being spent on marketing. Since the visitor industry funds the HTA via the TAT, we believe that there should be an increase in funding for marketing to perpetuate the tax revenues. If the TAT revenues are allocated more towards the general fund, it only exacerbates the shortfall in marketing funds that we are faced with today.

Again to reiterate, we oppose SB1111 primarily because we believe an increase in TAT will be detrimental to business and we should be reinvesting as much as possible into marketing to fuel the engine that drives a large part of our state's economy. We urge you not to increase the TAT% and to provide as much funding as possible for marketing.

Mahalo again for this opportunity to testify.

Mahalo and A Hui Hou.

**Craig Anderson
General Manager**

kim2 - Arline

From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 02, 2009 4:13 PM
To: WAM Testimony
Cc: blennon@hawaii.rr.com
Subject: Testimony for SB1111 on 3/4/2009 9:30:00 AM

Testimony for WAM 3/4/2009 9:30:00 AM SB1111

Conference room: 211
Testifier position: oppose
Testifier will be present: No
Submitted by: Rebecca K. Lennon
Organization: Best Western Pioneer Inn
Address: 658 Wharf Street Lahaina, HI 96761
Phone: 808-270-4813
E-mail: blennon@hawaii.rr.com
Submitted on: 3/2/2009

Comments:

Chairperson Donna Kim and members of the Senate Ways and Means Committee:

I would like relay the position of the Best Western Pioneer Inn, Lahaina, Maui in opposition to Senate Bill 1111. As the controller of our hotel, I often deal directly with guests who express dismay at our current rate of what they call hotel or room tax. To increase transient accomodation taxes will only help drive their business to other U.S. destinations or to the Carribbean and/or Mexico. Please do not increase transient accomocation tax at the present time.

Thank you
Rebecca K. Lennon, CPA
Controller
Best Western Pioneer Inn

kim2 - Arline

From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 02, 2009 4:06 PM
To: WAM Testimony
Cc: gm@napilikai.com
Subject: Testimony for SB1111 on 3/4/2009 9:30:00 AM

Testimony for WAM 3/4/2009 9:30:00 AM SB1111

Conference room: 211
Testifier position: oppose
Testifier will be present: No
Submitted by: Gregg Nelson
Organization: Napili Kai Beach Resort
Address: 5900 Honoapiilani Rd. Lahaina, Hi.
Phone: 808-669-9500
E-mail: gm@napilikai.com
Submitted on: 3/2/2009

Comments:

Dear Chairperson Kim and members of the Committee, I represent a small resort on the island of Maui employing 155 people. We are struggling in these current economic times. We have had to eliminate 7 positions in recent months due to falling occupancies. We have had to make many rate concessions and special promotions just to hold on to our market share of an ever dwindling visitor pool. Despite our efforts to offer rate specials, the guests I talk with say it is still not enough and that they cannot afford Hawaii any longer. I know that my guests are not the only ones feeling this way, and we all need to do what we can to make Hawaii appear affordable. SB 1111 will be devastating for tourism and counter-productive to our efforts to get Hawaii back on a positive economic track. If the State's goal is to increase tax revenue from TAT, then I suggest going after the businesses currently avoiding paying the TAT rather than requiring more out of the businesses who are following the law and already paying their fair share. Thank you for your consideration.

Aloha

Gregg Nelson

kim2 - Arline

From: Jeff Halpin [jhalpin@classicresorts.com]
Sent: Monday, March 02, 2009 3:10 PM
To: WAM Testimony
Subject: SB 1111

Senate Ways and Means Committee:

Dear Committee Members:

I am writing in opposition to SB 1111, which proposes to increase the TAT tax. As an employer of over 250 people in the tourism industry, I know only too well the fragile state of the current tourism market. Doing anything to negatively impact that important segment of the Hawaii economy is extremely shortsighted. I don't know what I'm more disappointed in—the increase itself or keeping the increase in the general fund. Either way, I do not understand the rationale. Now is not the time for increased taxation, no matter what form it takes or what population it is aimed at.

At this unprecedented time we need to be encouraging tourism, not creating obstacles to its growth. Thank you for considering my testimony.

Classic Resorts Limited

Jeff Halpin
President
Lahaina, Hawaii

kim2 - Arline

From: rawcohi@cs.com
Sent: Monday, March 02, 2009 3:25 PM
To: WAM Testimony
Subject: Testimony in strong opposition to SB 1111, Senate Committee on Ways and Means, room 211 on 3/04 at 0930

TESTIMONY IN OPPOSITION TO SB 1111 AS VERY UNWISE AT THIS TIME

Senate Committee on Ways and Means
Wednesday, 4 March 2009 in room 211 at 0930

Chair Kim and Respected Members of the Committee;

My name is Reg White. I work in Hawaii's tourism industry. I can only tell you that this bill which proposes to increase the Transient Accommodations Tax when our national economy is in trouble is most unwise. When people arrive to visit Hawaii they bring with them a finite amount of discretionary funding that they may spend while here. We can collect it up front in the form of a room tax or we can allow them to spend it into our economy to support local jobs and businesses. These jobs and businesses return the money almost immediately back into the circulation of our local economy and you get tax on it time after time as it is spent and re-spent locally. You may not have both, so I heartily recommend that you leave the funds circulating in our local economy. You get two for one here as at the same time you do not scare away more visitors by making them see us as an expensive destination.

Whittier, Alaska, did that. About fifteen years ago Whittier had five small businesses in town. A tackle shop, a small restaurant, a convenience store, a sport fisher and an excursion boat company that made trips to see the glaciers. At that time they were all supported by the 37 0 annual port calls of the passenger ships in the Alaska cruise industry. Then they decided to charge a fee for each passenger who boarded or debarked there. The following year they had zero port calls! All of the ships moved 60 miles down the coast to Homer, Alaska, and continued to operate as in the past. Four of the businesses closed and all the jobs in town went away. They immediately repealed the per passenger fee. Removing the last straw did not repair the camel's back. Nine years later they had grown back to a mere 30 port calls per year. The businesses are still closed, except for the glacier tour boat and the town has no appreciable economy. You must be very careful here, as our tourism driven economy is no more robust than that of Whittier was when they made their poor judgement. Please do hold this bill!

Respectfully,

Reg White
Vice president, project development
Star of Honolulu Cruises and Events
1540 S. King ST.
Honolulu, Hawaii 96826-1919
(808) 222-9794
RawcoHI@cs.com

STARWOOD

VACATION OWNERSHIP

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

March 4, 2009

To: Honorable Donna Mercado Kim, Chair
Honorable Shan S. Tsutsui, Vice Chair
Senate Committee on Ways and means

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

Re: **SB 1111– RELATING TO TAXATION – OPPOSE**
Senate Committee on Ways and Means
Hawai`i State Capitol, Conference Room 211 – 9:30 AM

Aloha Chair Kim, Vice Chair Tsutsui 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, 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 forward this session.

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

kim2 - Arline

From: Chris_Resich@mcahawaii.com
Sent: Monday, March 02, 2009 6:33 PM
To: WAM Testimony
Subject: Testimony for SB 1111

Aloha Members of the Senate Ways and Means Committee,

I represent Hawaii's largest travel destination and event management company. We employ 175 associates and operate on all Islands.

I am writing in opposition to SB 1111. In this very difficult economic and competitive environment, raising the rate of transit accommodation tax would be counterproductive and detrimental to the efforts to bring visitors to our State. It is a well known fact that the high cost of vacation in Hawaii is a major barrier to travel to our Islands. Recognizing this, the entire visitor industry is working toward lowering prices and offering additional values to stimulate response among potential visitors. Increasing the TAT would work against this goal.

At this critical time, the visitor industry needs support with more promotional funding and I would suggest that the Legislature look for expense reductions as a way to balance the budget. After all, this is exactly what we are all doing in business, reducing operating expenses while increasing marketing efforts.

Aloha, Chris

Chris Resich
President & CEO
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THE KAHALA

HOTEL & RESORT

Honolulu, Hawaii

March 3, 2009

Via fax: 586-6659

State of Hawaii
Senate Ways & Means Committee

Re: SB 1111 Relating to Taxation
Hearing on March 4, 2009 at 9:30am

Good morning Chairperson Kim and Members of the Senate Ways & Means Committee.

As General Manager of The Kahala Hotel & Resort, I am opposed to SB 1111 Relating to Taxation as it would increase the Transient Accommodations Tax by an unspecified amount.

In 1999, the TAT was increased to 7.14%. Combined 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 17.46%, 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., and San Francisco. In those destinations, most travelers are not paying the hotel 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 those 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 occupancies, which helps 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.

Please do not support SB 1111.

Respectfully,

Thomas Pauly
General Manager

kim2 - Arline

From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 02, 2009 10:06 PM
To: WAM Testimony
Cc: captcoon@hawaiiantel.net
Subject: Testimony for SB1111 on 3/4/2009 9:30:00 AM

Testimony for WAM 3/4/2009 9:30:00 AM SB1111

Conference room: 211
Testifier position: oppose
Testifier will be present: No
Submitted by: James E. Coon
Organization: Ocean Tourism Coalition
Address: 820 Mililani St. Ste,. 810 Honolulu, HI 96813
Phone: 808-537-4308
E-mail: captcoon@hawaiiantel.net
Submitted on: 3/2/2009

Comments:

This bill would be very bad for the Ocean Tourism Industry and the small family businesses in the State. This is the wrong time to increase the fees we pass on to tourists. Please Kill this bill SB1111



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

March 4, 2009

TO: Senate Ways and Means Committee
Senator Donna Mercado Kim, Chair
Senator Shan S. Tsutsui, Vice Chair

FROM: Ed Thompson
ARDA-Hawaii

DATE: Wednesday, March 4, 2009
Conference Room 211
9:30 a.m.

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

Chair Kim 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.

ARDA-Hawaii opposes SB 1111, 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.

We believe this measure will have a negative impact on tourism in Hawaii, which is suffering through its toughest economic times in years. We need 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.

March 4, 2009

TO: Senate Ways and Means Committee
Senator Donna Mercado Kim, Chair
Senator Shan S. Tsutsui, Vice Chair

FROM: Bryan Ayakawa

DATE: Wednesday, March 4, 2009
Conference Room 211
9:30 a.m.

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

Chair Kim and Members of the Committee:

The Imperial Hawaii Resort at Waikiki opposes SB 1111, 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.