

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 TOURIMS, CULTURE & INTERNATIONAL AFFAIRS  
TESTIMONY REGARDING SB 1165 SD1  
RELATING TO GENERAL EXCISE TAX**

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

**DATE: MARCH 16, 2009**

**TIME: 8:30AM**

**ROOM: 312**

---

This bill proposes to make the general excise tax (GET) exemptions for reimbursements from managers of condominium associations to submanagers of condominium associations and hotel operators to timeshare associations or suboperators, distributed as employee costs, permanent.

The Department of Taxation takes no position on the merits measure.

This bill merely extends the current common reimbursements exemption from the GET. The State is not currently collecting GET on the gross proceeds discussed in this measure due to the current exemption. If the exemption sunsets on December 31, 2009 as required by current law, an additional \$3.6 million per year would be collected.

000090



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

March 16, 2009

**TO:** House Tourism, Culture, & International Affairs Committee  
Representative Joey Manahan, Chair  
Representative James Kunane Tokioka, Vice Chair

**FROM:** Ed Thompson  
ARDA-Hawaii

**DATE:** Monday, March 16, 2009  
Conference Room 312  
8:30 a.m.

**RE:** **SB 1165, SD1 RELATING TO GENERAL EXCISE TAX**

Chair Manahan 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 supports SB 1165, SD1, which makes the GET exemption amendments for timeshare operators and condominium submanagers permanent and may encourage additional timeshare creation in Hawaii.

Timeshare has had consistent occupancy rates, even during tough economic times. This has made our industry a vital partner and a diverse component of the visitor industry in Hawaii.

Thank you very much for the opportunity to offer testimony in support of this measure.

000097

**HOUSE COMMITTEE ON  
TOURISM, CULTURE AND INTERNATIONAL AFFAIRS**

March 16, 2009

Senate Bill 1165, SD 1 Relating to General Excise Tax

Chair Manahan and members of the House Committee on Tourism, Culture and International Affairs, I am Rick Tsujimura, representing Marriott Vacation Club International, Inc. (Marriott).

Marriott supports Senate Bill 1165, SD 1 Relating to General Excise Tax. The legislature passed Act 239 (SLH 2007) which added the following amendments to section 237-24.7:

**"§237-24.7 Additional amounts not taxable.** In addition to the amounts not taxable under section 237-24, this chapter shall not apply to:

(1) Amounts received by the operator of a hotel from the owner of the hotel or from a timeshare association, and amounts received by the suboperator of a hotel from the owner of the hotel, from a timeshare association, or from the operator of the hotel, in amounts equal to and which are disbursed by the operator or suboperator for employee wages, salaries, payroll taxes, insurance premiums, and benefits, including retirement, vacation, sick pay, and health benefits. As used in this paragraph:

"Employee" means employees directly engaged in the day-to-day operation of the hotel and employed by the operator~~[-]~~ or suboperator.

"Hotel" means an operation as defined in section 445-90~~[-]~~ or a timeshare plan as defined in section 514E-1.

"Operator" means any person who, pursuant to a written contract with the owner of a hotel~~[-]~~ or timeshare association, operates or manages the hotel for the owner~~[-]~~ or timeshare association.

"Owner" means the fee owner or lessee under a recorded lease of a hotel~~[-]~~.

"Suboperator" means any person who, pursuant to a written contract with the operator, operates or manages the hotel as a subcontractor of the operator.

"Timeshare association" means an "association" as that term is defined in section 514E-1;"

000098

These amendments were designed to level the playing field with regards to operators and suboperators of hotels and timeshares. This bill seeks to remove the sunset clause of Act 239, and make these provisions permanent. We ask for your support for the removal of the sunset date.

Thank you for the opportunity to present this testimony.