

**SB 1165**

# Department of Taxation

## Position Summary

Senate Committee on Ways & Means/March 2, 2009

# LATE

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116.5

Bill Number	Bill Title: "Relating to..."	Position	Comments	Revenue Impact	Methodology
SB 972 SD 1	TAX ADMINISTRATION	Strong concerns; prefer original version	*The Department strongly prefers the enforcement efforts set forth in the original measure because they are effective and comprehensive to target the Cash Economy. * Tax clearances as provided in this measure will be both time consuming and costly for the Department and taxpayers. The Department would need additional resources to accomplish this measure beyond what the original measure provided.	Potentially substantial, assuming sufficient resources.	Pending

SB 287 SD 1	ENERGY	Opposed to unbudgeted revenue loss	The Department recommends amending to preclude a taxpayer from claiming this credit and any other credit, in addition to the preclusion to claim the research credit.	The potential loss in revenue is estimated at \$900,000 in FY10 & FY11.	Assuming 3 potential plants and \$1.0 million construction cost per plant and 2 years to build. (3 * \$1 million * 30%= \$900,000).
SB 512 SD 1	TAXATION	Opposed to unbudgeted revenue loss		Up to a \$12 million per year revenue loss beginning in FY 12.	\$12 million per year is the maximum allowable credit by the law.
SB 1165	GENERAL EXCISE TAX	No position	No technical comments.	The Department is not currently collecting revenue on these proceeds as a result of the exemption. If the exemption sunsets on December 31, 2009 as required by current law, an additional \$3.6 million per year would be collected.	The Time Share Occupancy Tax is levied at the rate of 7.25% on one-half of the daily maintenance costs of the timeshare unit. Collections from the tax totaled \$9.7 million in 2008, which implies total maintenance costs of \$267.6 million (= (\$9.7 million X 2)/.0725). Assuming these are the costs of the operators of timeshare projects paid by the timeshare association and that 1/3 of this cost goes to wages, the GET that would be lost as a result of the exemption for these payments would be \$3.6 million.

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MEMORANDUM **LATE**

**TO:** Senator Donna Mercado Kim  
Chair, Committee on Ways and Means  
Hawaii State Capitol, Room 210

**FROM:** Gary Slovin

**DATE:** March 1, 2009

**RE:** **S.B. No. 1165 – Relating to General Excise Tax  
Hearing on Monday, March 2, 2009 at 9:30 a.m.**

Dear Chair Kim and Members of the Committee on Ways and 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.

We support S.B. 1165, which makes the GET exemption amendments for timeshare operators and condominium submanagers permanent. This GET exemption, which exists under the present law, was adopted during the 2007 legislative session as Act 239 Session Laws of Hawaii, 2007. The exemption applies to certain sums that are transferred from the owner of the properties to the operator of the properties. Included in these sums are the amounts paid that reflect what is owed to employees in the way of salary and benefits.

The exemption from tax on these amounts would either take away from the amounts available to be paid to employees both in salary and benefits and, in most cases, actually result in the owner paying sums directly to employees and other persons to whom these sums are due rather than having those sums paid by the operator here in Hawaii. It is to everyone's benefit that those sums be paid by the local operator to the local employees and local vendors. For this reason, the tax exemption was extended in 2007.

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The tax exemption sought in S.B. 1165 would continue the same tax exemption that presently exist in the law.

Because of the circumstances of the present situation, the passage of this legislation will make things much better for both employees and vendors as well as the owners and the local operators.

Thank you very much for the opportunity to submit testimony.