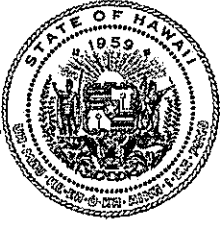


SB 279 – Relating to Transit Accommodations Tax

Provides a vehicle to increase the TAT to pay for culturally-related programs.



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
Fax: (808) 586-2370

Statement of
MARSHA WIENERT
Tourism Liaison
Department of Business, Economic Development & Tourism
before the
SENATE COMMITTEE ON TOURISM
Tuesday, February 3, 2009
2:45 p.m.
State Capitol, Conference Room 229

in consideration of
SB 279
RELATING TO TRANSIENT ACCOMMODATIONS TAX.

Chair Nishihara, Vice Chair Galuteria and Members of the Senate Committee on Tourism.

The Department of Business, Economic Development and Tourism has concerns regarding SB 279.

SB 279 amends Section 201B-7 (a), Hawaii Revised Statutes, by adding *promotion, development, and coordination of culturally-related activities and events, including but not limited to hula shows and Hawaiiana-related events that focus on Hawaii's people and heritage* to what the tourism authority may do.

We concur with this amended language and support cultural heritage events and activities.

SB 279 also amends Section 237D-2, Hawaii Revised Statutes, regarding the per cent of transient accommodations tax (TAT) to be assessed and collected each month. We are assuming that the intent of this amendment is to increase the TAT beginning January 1, 2010. At this time, we do not believe that it is prudent to increase taxes paid by our visitors on their

accommodations, especially since hotel and lodging businesses have added so much value and are offering very low promotional rates just to attract visitors to our islands.

As we oppose an increase in TAT at this time, we also oppose the amended language specifying that the difference in TAT proceeds attributable to this increase be deposited into the tourism special fund and be used exclusively for culturally related activities and events under section 201B-7 (a) (5).

We firmly believe that the tourism authority has been doing a very good job in supporting culturally related activities and events without an increase in TAT. The only reason that funding for some of these events was reduced is due to the current economic challenges and the need to increase marketing funds to attract visitors to our islands during these difficult times.

Thank you for allowing me to comment on SB 279.



LINDA LINGLE
Governor

LLOYD I. UNEBASAMI
Interim President and
Chief Executive Officer

Hawai'i Tourism Authority

Hawai'i Convention Center, 1801 Kalākaua Avenue, Honolulu, Hawai'i 96815
Website: www.hawaiitourismauthority.org

Telephone: (808) 973-2255
Fax: (808) 973-2253

Testimony of
Lloyd Unebasami
Interim President and Chief Executive Officer
Hawai'i Tourism Authority
on
S.B. 279
Relating to Transient Accommodations Tax

Senate Committee on Tourism
Tuesday, February 3, 2009
2:45 p.m.
Conference Room 229

The Hawai'i Tourism Authority (HTA) supports the intent of S.B. 279, which would provide dedicated funding for culturally related activities and events through an increase in the transient accommodations tax (TAT). However, the HTA defers to the hotel industry on the impact of increasing the TAT.

The Hawai'i Tourism Strategic Plan (TSP), which the HTA, in collaboration with partners in the community, industry and government sectors, developed in 2004, identifies nine initiatives that are needed to ensure a long-term and sustainable visitor industry. They are: Access, Communications & Outreach, Hawaiian Culture, Marketing, Natural Resources, Research & Planning, Safety & Security, Tourism Product Development and Workforce Development.

The TSP provides the overall framework upon which the HTA develops its own agency programs. As such, the HTA allocates resources for all of the nine initiatives within its annual budget. In particular, the HTA strongly supports culturally-related projects and programs and allocates funds for such projects and programs through the following initiatives: Access, Hawaiian Culture, Natural Resources, Tourism Product Development and Workforce Development.

Thank you for the opportunity to testify on this measure.

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

**SENATE COMMITTEE ON TOURISM
TESTIMONY REGARDING SB 279
RELATING TO TRANSIENT ACCOMMODATIONS TAX**

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

DATE: FEBRUARY 3, 2009

TIME: 2:45PM

ROOM: 229

This measure increases the transient accommodations tax by an unspecified amount beginning January 1, 2010, with the increased revenue being directed toward funding cultural-related activities and events.

The Department of Taxation (Department) **takes no position on the issue of increasing culturally-related tourism events; however opposes the tax increase in this bill.**

The Department cannot support 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 will 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 as a destination less favorable and more expensive, will force Hawaii's economy into further disarray.

This legislation will result in an indeterminate revenue impact.

nishihara2 - Bert

From: mailinglist@capitol.hawaii.gov
Sent: Friday, January 30, 2009 3:01 PM
To: TSM Testimony
Cc: RawcoHI@cs.com
Subject: Testimony for SB279 on 2/3/2009 2:45:00 PM

Testimony for TSM 2/3/2009 2:45:00 PM SB279

Conference room: 229
Testifier position: oppose
Testifier will be present: No
Submitted by: Reg White
Organization: Star of Honolulu Tours and Events
Address: 1540 S. King St. Honolulu, HI
Phone: 808-222-9794
E-mail: RawcoHI@cs.com
Submitted on: 1/30/2009

Comments:

This bill ignores the Esop fable regarding the straw that broke the camel's back, and we must always remember that removing the straw did not repair the camel. My ship called at Maimi in the winter of 1978, the year that tourism decided Maimi was too expensive and they just did not come. The recovery took over ten years and by then all the real estate had been picked up at ten cents on the dollar by arriving Cuban immigrants. Whittier, Alaska, the original town with no reason to exist, had jobs and five enterprises, a cafe, a tackle store, a gift shop, two boat tour operators and a bar, all located out on the towns main pier. They were created and enabled by the 340 annual cruise ship visits to Whittier's main pier. Then in the early 90's Whittier decided to add a per person tax on the passengers from visiting cruise ships. The following year Whittier had zero cruise ship calls, they all moved down the coast to Homer. Even though Whittier immediately removed the tax, it was nine years before they had another regularly scheduled cruise ship visit, and today, almost twenty years later, they still have less than 60 calls per year. Please let us learn from these experiences and let us be very careful when considering an increase in the TAT. The TAT is a percentage fee, and so is already automatically adjusted for any change in the value of our dollar and gets an immediate adjustment for changes in our economy. We need to learn to live within these parameters already established and not kill our markets by being greedy.

Please kill this bill



**HAWAII HOTEL & LODGING
ASSOCIATION**

2270 Kalakaua Ave., Suite 1506
Honolulu, HI 96815
Phone: (808) 923-0407
Fax: (808) 924-3843
E-Mail: hhta@hawaiihotels.org
Website: www.hawaiihotels.org



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**TESTIMONY OF MURRAY TOWILL
PRESIDENT
HAWAII HOTEL & LODGING ASSOCIATION
February 3, 2009
RE: SB 279 Relating to Transient Accommodations Tax**

Good afternoon Chairman Nishihara and members of the Senate Committee on Tourism. I am Murray Towill, President of the Hawai'i Hotel & 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 279 Relating to Transient Accommodations Tax. We are concerned that this bill proposes to increase the Transient Accommodations Tax ("TAT"). As we have stated for many years, we strongly support the Hawaii Tourism Authority ("HTA") supporting culturally related activities and events. However, we do not believe the TAT should be increased.

Currently hotel guests pay 11.96% General Excise Tax ("GET") and TAT on a room on Oahu and 11.41 on the neighbor islands. While this is below the national average tax of 12.40%, the lower room rates on the mainland result in a tax of \$12.91 per night. Due to the higher room rate, the average tax bill in Hawaii would be \$22.80.

We must be careful to realize that destinations with the highest room taxes are business destinations like New York City, Washington DC, San Francisco, Chicago and Seattle. In these destinations, most travelers are not paying for 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%, San Diego 10.5%, Ft. Lauderdale 11.3%, etc...) All of these destinations also have lower room rates due to lower cost of doing business thus leading to even lower tax bills for the customer.

Increasing the cost of doing business and taxes will make us less competitive as a destination. Given our economic challenges, this is not something we should do.

We urge you not to increase the TAT. Mahalo again for this 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 culturally related activities and events

BILL NUMBER: SB 279

INTRODUCED BY: Nishihara

BRIEF SUMMARY: Amends HRS section 237D-2 to increase the tax on transient accommodations to ___% beginning on January 1, 2010 and thereafter.

Amends HRS section 237D-6.5 (2) 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 on January 1, 2010, shall be used exclusively for culturally related activities and events.

EFFECTIVE DATE: Tax years beginning after December 31, 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 used exclusively for culturally related activities and events. While the proposed measure would provide an automatic funding mechanism for culturally related activities, it is questionable whether the amount diverted would be sufficient or insufficient for the intended purposes. Funds would be provided without legislative scrutiny or approval.

If it is the intent of the legislature to provide funds to for culturally related activities and events, a direct appropriation would be more appropriate.

In addition, while proponents of the TAT increase may believe that the hotels can merely pass on the cost of the TAT, 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.

This measure would revert to the same problem faced by those who attempted to promote the visitor industry with public funds, the micro managing by the legislature of how the money was to be spent. In this case, it appears that lawmakers know just how much should be spent for culturally related activities and events. The whole point of setting a lump sum of money aside from the TAT in 1998 was that the promotion of the visitor industry should be left to professionals in the field. By earmarking monies for culturally related activities and events lawmakers are acknowledging that they are "professionals" in the visitor promotion business.

SB 279 - Continued

As a result, funding programs that were never intended to be funded with the earmarked taxes provides a convenient way for lawmakers to hide the money from public scrutiny as no one other than the originally intended beneficiaries will pay attention to this misappropriation of funds. If culturally related activities and events are truly of high priority for the use of public dollars, then it is like many other programs and projects which now are beneficiaries of earmarked special funds, they should stand the test by being funded out of the state general fund. The likelihood would be almost nil when measured against the pressing needs of the health and education and welfare of the community. Many of these essential programs go only partially funded because resources are being siphoned off for lesser priority items.

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.

Digested 2/2/09

THE SENATE
25th LEGISLATURE
REGULAR SESSION of 2009

COMMITTEE ON TOURISM
Senator Clarence Nishihara, Chair

2/3/09
2:45 PM

SB 279
Relating to Transient Accommodations Tax (TAT)

Chair Nishihara and members of this Committee, my name is Max Sword, here on behalf of Outrigger Hotels, to comment on this bill.

This bill proposes to increase the TAT, which we oppose for two reasons.

First, as you know, tourism is currently in a major downturn, and adding additional taxes to a hotel room will only make matters worse by making a room more expensive. This goes against the message the industry is trying to convey in our current marketing efforts, which is that Hawaii is still a good value.

Secondly, we currently have one of the highest TAT assessed, compared to similar destinations around the world, and in this time when travelers are much more budget conscious, this increase will make a difference whether they choose Hawaii or not.

We oppose and urge you to hold this bill.

Mahalo for allowing me to testify.