

S.B. NO. 2751

JAN 25 2010

A BILL FOR AN ACT

RELATING TO TRANSIENT ACCOMMODATIONS TAX.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The purpose of this Act is to temporarily
2 suspend the distribution of transient accommodations tax
3 revenues to the counties for approximately three years.

4 SECTION 2. Section 237D-6.5, Hawaii Revised Statutes, is
5 amended to read as follows:

6 "**§237D-6.5 Remittances; distribution to counties.** (a)
7 All remittances of taxes imposed under this chapter shall be
8 made by cash, bank drafts, cashier's check, money order, or
9 certificate of deposit to the office of the taxation district to
10 which the return was transmitted.

11 (b) Revenues collected under this chapter, except for
12 revenues collected under section 237D-2(b), shall be distributed
13 as follows, with the excess revenues to be deposited into the
14 general fund:

15 (1) 17.3 per cent of the revenues collected under this
16 chapter shall be deposited into the convention center
17 enterprise special fund established under section
18 201B-8; provided that beginning January 1, 2002, if

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1 the amount of the revenue collected under this
2 paragraph exceeds \$33,000,000 in any calendar year,
3 revenues collected in excess of \$33,000,000 shall be
4 deposited into the general fund;

5 (2) 34.2 per cent of the revenues collected under this
6 chapter shall be deposited into the tourism special
7 fund established under section 201B-11 for tourism
8 promotion and visitor industry research; provided that
9 beginning on July 1, 2002, of the first \$1,000,000 in
10 revenues deposited:

11 (A) Ninety per cent shall be deposited into the state
12 parks special fund established in section 184-
13 3.4; and

14 (B) Ten per cent shall be deposited into the special
15 land and development fund established in section
16 171-19 for the Hawaii statewide trail and access
17 program;

18 provided that of the 34.2 per cent, 0.5 per cent shall
19 be transferred to a sub-account in the tourism special
20 fund to provide funding for a safety and security
21 budget, in accordance with the Hawaii tourism
22 strategic plan 2005-2015; provided further that of the

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1 revenues remaining in the tourism special fund after
2 revenues have been deposited as provided in this
3 paragraph and except for any sum authorized by the
4 legislature for expenditure from revenues subject to
5 this paragraph, beginning July 1, 2007, funds shall be
6 deposited into the tourism emergency trust fund,
7 established in section 201B-10, in a manner sufficient
8 to maintain a fund balance of \$5,000,000 in the
9 tourism emergency trust fund; and

10 (3) Except as provided in subsection (d), 44.8 per cent of
11 the revenues collected under this chapter shall be
12 transferred as follows: Kauai county shall receive
13 14.5 per cent, Hawaii county shall receive 18.6 per
14 cent, city and county of Honolulu shall receive 44.1
15 per cent, and Maui county shall receive 22.8 per cent.

16 Revenues collected under section 237D-2(b) shall be
17 deposited into the general fund. All transient accommodations
18 taxes shall be paid into the state treasury each month within
19 ten days after collection and shall be kept by the state
20 director of finance in special accounts for distribution as
21 provided in this subsection.

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1 (c) On or before January or July 1 of each year or after
2 the disposition of any tax appeal with respect to an assessment
3 for periods after June 30, 1990, the state director of finance
4 shall compute and pay the amount due as provided in subsection
5 (b) to the director of finance of each county to become a
6 general realization of the county expendable as such, except as
7 otherwise provided by law.

8 (d) Subsection (b)(3), with respect to the transfer of
9 revenues collected under this chapter to the counties, and
10 subsection (c), with respect to computation and payment to the
11 counties, shall not be operative from July 1, 2010, to June 30,
12 2013. During the period that subsection (b)(3) is not
13 operative, the remainder of the revenues collected shall be
14 deposited into the state treasury as a state realization."

15 SECTION 3. New statutory material is underscored.

16 SECTION 4. This Act shall take effect on July 1, 2010.

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INTRODUCED BY:



19

BY REQUEST

Report Title:

Transient Accommodations Tax; Suspension of Distribution to Counties

Description:

Suspends for three years, from July 1, 2010, to June 30, 2013, the distribution of transient accommodations tax revenues to the counties.

JUSTIFICATION SHEET

DEPARTMENT: Taxation

TITLE: A BILL FOR AN ACT RELATING TO TRANSIENT ACCOMMODATIONS TAX.

PURPOSE: To suspend the payment of the counties' portion of the transient accommodations tax for approximately three years, from July 1, 2010 to June 30, 2013.

MEANS: Amend section 237D-6.5, Hawaii Revised Statutes.

JUSTIFICATION: During the current fiscal crisis, extensive measures must be taken to offset the projected state budget deficit. Given the fiscal situation relative to the State's needs, this measure redirects the counties' portion of the transient accommodations tax for deposit into the general fund for fiscal years 2010-2011, 2011-2012, and 2012-2013.

Whereas the State's fiscal crisis began last fiscal year and will continue to impact the State in the coming fiscal years, the counties have had time to prepare for possible budget impacts due to the lag in property tax assessments. Additionally, unlike the State, which has already implemented furloughs and across-the-board budget cuts for all agencies, the counties are continuing operations with fewer budget impacts. This measure is deemed necessary given the current fiscal circumstances.

Impact on the public: This measure impacts the respective county governments. However, each county has the authority to implement furloughs to offset possible impacts.

Impact on the department and other agencies: The Department of Taxation is responsible for administering the amendments to the tax laws. The Department of Budget and Finance

is responsible for ensuring the proper deposits of transient accommodations tax revenues.

GENERAL FUND: Revenue gains as follows:
FY 2011: \$99,400,000;
FY 2012: \$104,900,000;
FY 2013: \$110,800,000.

OTHER FUNDS: None.

PPBS PROGRAM
DESIGNATION: TAX-100.

OTHER AFFECTED
AGENCIES: Department of Budget and Finance; respective counties.

EFFECTIVE DATE: July 1, 2010.