

Honolulu, Hawaii
Feb 26, 2010

RE: H.B. No. 2598
H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Fifth State Legislature
Regular Session of 2010
State of Hawaii

Sir:

Your Committee on Finance, to which was referred H.B. No. 2598 entitled:

"A BILL FOR AN ACT RELATING TO TRANSIENT ACCOMMODATIONS TAX,"

begs leave to report as follows:

The purpose of this Act is to temporarily suspend the distribution of transient accommodations tax revenues to the counties.

The Representative of the 4th District; County of Hawaii; County of Kauai; County of Maui; City and County of Honolulu; City and County of Honolulu; the Council Chair of the Maui County Council; a member of the Maui County Council; a member of the Hawaii County Council; a member of the Kauai County Council; a member of the Honolulu City Council; Hawaii State Association of Counties; Hawaii Council of Mayors; Hawaii Government Employees Association; ILWU Local 142; Hawaii Hotel & Lodging Association; Hawaii State Teachers Association-Retired, Hawaii District; Waimea Plantation Cottages; Outrigger Hotels; and several concerned individuals opposed this bill. The Department of Budget and Finance, Hawaii Tourism Authority, and Tax Foundation of Hawaii provided comments.

After considering the testimony on this bill, your Committee has amended it substantially. Instead of suspending the distribution of the transient accommodations tax revenues to the counties, your Committee has temporarily placed a limit on the



counties' share of the revenues. Under present law, the counties' share is set at 44.8 percent of total transient accommodations tax revenues. This bill establishes the counties' share as the lesser of 44.8 percent of the total transient accommodations tax revenues collected in a fiscal year, or \$94,355,000.

Your Committee has selected the figure "\$94,355,000" because it was the actual share of the transient accommodations tax revenues distributed to the counties in fiscal year 2008-2009. This represents the last year for which actual data of the amount distributed is available to your Committee.

Your Committee notes that the issue of suspending the distribution of the revenues to the counties generated much controversy in the community and divided the House. Your Committee finds that placing a limit on the counties' share of the transient accommodations tax revenues is an acceptable compromise. Your Committee believes that this bill, as amended, allows the counties to retain revenues upon which they depend while diverting future increases to the State.

Your Committee has also made the limit applicable until June 30, 2015.

Finally, your Committee has added provisions clarifying the manner in which the semi-annual payments of the counties' share are to be made by the State Director of Finance.

As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2598, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2598, H.D. 1, and be placed on the calendar for Third Reading.

Respectfully submitted on
behalf of the members of the
Committee on Finance,


MARCUS R. OSHIRO, Chair



