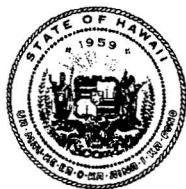


LINDA LINGLE  
GOVERNOR

JAMES R. AIONA, JR.  
LT. GOVERNOR



KURT KAWAFUCHI  
DIRECTOR OF TAXATION

STANLEY SHIRAKI  
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 FINANCE  
TESTIMONY REGARDING HB 2699  
RELATING TO THE TRANSIENT ACCOMMODATIONS TAX**

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

**DATE: FEBRUARY 10, 2010**

**TIME: 4PM**

**ROOM: 308**

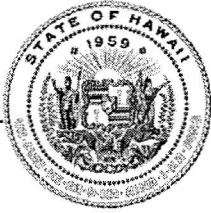
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This measure proposes to increase the transient accommodations tax to the greater of the current tax rate or \$8 per day. This measure has the effect of increasing the tax on lower-rate transient accommodations.

The Department of Taxation (Department) **opposes this tax increase.**

**OPPOSED TO TAX INCREASES GENERALLY**—The Department has concerns with 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 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.

**CONCERNED ABOUT TOURISM INDUSTRY**—The Department is particularly concerned with the negative impact this tax increase could have on the State's already delicate tourism industry. Hawaii's tourism industry is hurting badly. Increasing the tax on this industry even further, thus making Hawaii more expensive and a less favorable destination, could force Hawaii's economy into further disarray.



## TOURISM LIAISON

Hawai'i State Capitol, Office of the Governor, 4<sup>th</sup> Floor  
Honolulu, Hawai'i 96813

LINDA LINGLE  
GOVERNOR  
MARSHA WIENERT  
TOURISM LIAISON

Telephone: (808) 586-2362  
Fax: (808) 586-0019

Statement of  
**MARSHA WIENERT**  
**Tourism Liaison**  
Office of the Governor  
before the  
**HOUSE COMMITTEE ON FINANCE**  
Wednesday, February 10, 2010  
4:00 p.m.  
State Capitol, Conference Room 308

in consideration of  
**HB 2699**  
**RELATING TO TAXATION.**

Chair Oshiro, Vice Chair Lee and Members of the House Committee on Finance.

HB 2699 provides that the transient accommodations tax shall be assessed and collected at a minimum rate of \$8 per day. While we appreciate the intent to explore all potential sources of revenue to help balance the budget, we cannot support establishing a minimum amount owed in transient accommodations tax, notwithstanding the amount charged for the transient accommodations unit.

The average daily rate of our budget properties in November 2009 was \$78.01. Year-to-date through November 2009, the average daily rate of budget properties in the state was \$86.01. A minimum rate of \$8 per day would result in a higher than 9.25% tax on many of these budget properties beginning in July of this year.

Hawai'i has benefited, through the years, by having a wide variety of accommodations and pricing that can fit everyone's budget.

During these highly competitive times, setting a minimum daily tax rate on our transient accommodations units should not be supported. Market conditions dictate room rates and if the market requires a less than \$75 room rate, properties should not receive a tax punishment for trying to compete in the marketplace and bring visitors to our islands.

Thank you for allowing me to comment on HB 2699 and I humbly ask that you hold this bill.



# Hawai'i Tourism Authority

Hawai'i Convention Center, 1801 Kalākaua Avenue, Honolulu, Hawai'i 96815  
Website: [www.hawaii-tourism-authority.org](http://www.hawaii-tourism-authority.org)

LINDA LINGLE  
Governor

MIKE MCCARTNEY  
President and  
Chief Executive Officer

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

Testimony of  
**Mike McCartney**  
President and Chief Executive Officer  
Hawai'i Tourism Authority  
On  
**H.B. 2874 Relating to the Transient Accommodations Tax**  
**H.B. 2699 Relating to Taxation**  
**H.B. 2700 Relating to Taxation**

House Committee on Finance  
Wednesday, February 10, 2010  
4:00 p.m.  
Conference Room 308

The Hawai'i Tourism Authority (HTA) is pleased to provide comments and information regarding the following measures:

- H.B. 2874, which temporarily increases from 7/1/2010 to 6/30/2015 the transient accommodations tax (TAT) rate on time share units;
- H.B. 2699, which provides that the TAT rate shall be assessed and collected at a minimum rate of \$8 per day, effective 7/1/2010; and
- H.B. 2700, which imposes the general excise tax (GET) and the TAT on gross rental proceeds received from a rewards club central fund to the operator of a transient accommodation.

The HTA is tasked with marketing and promoting Hawai'i as a visitor destination. In this global competitive environment, the HTA is concerned that the imposition of any new taxes on the visitor industry would not result in the generation of more revenues for the state as intended and instead, result in negative unintended consequences. Some examples below:

- An \$8/day minimum TAT rate will raise the TAT on rooms that are usually more affordable hotel rooms as well as those rooms sold at the kama'āina rate, thereby disproportionately impacting those hotel businesses, Hawai'i resident and business travelers.
- Complimentary rooms are used by the visitor industry to attract meeting planners to bring their events to Hawai'i, educate and encourage travel agents to book Hawai'i for their clients' vacations, and give travel journalists the opportunity to publish and air stories about Hawai'i as a meeting and vacation destination. Complimentary rooms are also used by the state to attract film crews to the islands. If the TAT is imposed on complimentary rooms, this would increase costs to individual hotels and to the state which will bear the additional costs for the rooms.

- Taxing rewards club programs could have a negative impact on those visitors who would normally redeem their points for a Hawai'i vacation, thereby causing those visitors to vacation at destinations other than Hawai'i.
- As far as the HTA is aware, there is no other destination in the country that taxes complimentary rooms. Furthermore, the tax on reward program payments to hotels was just overturned in New York, calling into question the efficacy of that measure. As a result, this could impact the state's overall marketing efforts by hampering its ability to compete with other destinations during this crisis period.

In today's economic times, the travel market is very price sensitive. An increase in any segment of the visitor industry may be detrimental to the recovery of the industry and the state's overall economic picture.

Therefore, we urge you to hold these measures. Thank you for the opportunity to comment.

# TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

**SUBJECT:** TRANSIENT ACCOMMODATION, Minimum rate

**BILL NUMBER:** HB 2699

**INTRODUCED BY:** Yamashita, Awana, Carroll, Chang, Chong, Har, Ito, Keith-Agaran, Manahan, Mizuno, Morita, Say, Tokioka, Tsuji, Yamane and 1 Democrat

**BRIEF SUMMARY:** Amends HRS section 237D-2 to provide that the transient accommodations tax (TAT) shall be imposed at the greater of the TAT tax rate or a minimum tax of \$8 per day.

**EFFECTIVE DATE:** July 1, 2010

**STAFF COMMENTS:** The legislature by Act 61, SLH 2009, increased the transient accommodations tax (TAT) from 7.25% to 8.25% between 7/1/09 and 6/30/10 and to 9.25% between 7/1/10 to 6/30/15 with the proceeds attributable to the increase in the tax rate over 7.25% deposited into the general fund.

While this measure would establish a minimum TAT tax of \$8 per day and provide that under the TAT rate of 8.25%, transient accommodations of \$96 per day and below would be subject to the proposed minimum tax or at the 9.25% TAT rate transient accommodations of \$86 per day and below would be subject to the minimum tax, the adoption of this measure would result in a TAT rate higher than 8.25% or 9.25% on the affected transient accommodations.

It should also be noted that unlike the hike in the TAT rate by the one percent incremental amount, the minimum \$8 per day tax is made permanent but remains a receipt of the tourism related funds.

Digested 2/9/10



**HAWAI'I HOTEL & LODGING  
ASSOCIATION**

2270 Kalakaua Ave., Suite 1506  
Honolulu, HI 96815  
Phone: (808) 923-0407  
Fax: (808) 924-3843  
E-Mail: [hhla@hawaii-hotels.org](mailto:hhla@hawaii-hotels.org)  
Website: [www.hawaii-hotels.org](http://www.hawaii-hotels.org)



32<sup>nd</sup> Anniversary  
Are You Walking???  
May 15, 2010  
(Always the 3<sup>rd</sup> Saturday in May)  
[www.charitywalkhawaii.org](http://www.charitywalkhawaii.org)

**TESTIMONY OF MURRAY TOWILL  
PRESIDENT  
HAWAI'I HOTEL & LODGING ASSOCIATION**

**February 10, 2010**

**RE: HB 2699 Relating to Taxation**

Good afternoon Chairman Oshiro and members of the House Committee on Finance. 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 150 hotels representing over 48,000 rooms. Our hotel members range from the 2,680 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 HB 2699 Relating to Taxation. Read literally, it appears this bill would increase the tax on lower costing hotel rooms. If this is the intent, it would potentially impact Kama`aina travelers the most since they usually benefit from lower room rates.

While it is not entirely clear from the bill, we understand the intention of this bill may be to charge \$8 per day on complementary rooms or free nights included in a hotel package. In each of these costs, no revenue is received by the hotel and thus it does not seem the Transient Accommodations Tax ("TAT") should apply. A measure of this type would be especially inappropriate since hotels are often using comp rooms to stimulate future business from meeting planners, travel agents and other industry professionals.

We urge you to hold this bill. Mahalo again for this opportunity to testify.



February 9, 2010

Representative Marcus R. Oshiro  
Chair, House Finance Committee  
Hawaii State Capitol  
415 South Beretania Street  
Honolulu, HI 96813

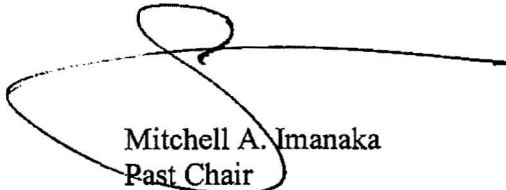
Re: **Hawaii State Legislature 2010 Regular Session**  
**HB2699, Relating to the Transient Accommodations Tax**

Dear Chairperson Oshiro and Members of the Committee:

Please permit me to submit this testimony in **OPPOSITION** to the captioned measure. This measure seeks to increase taxes.

This measure sends the wrong message, not only to the business community, but to those who seek to travel here. Accordingly, I respectfully oppose this measure.

Very truly yours,



Mitchell A. Imanaka  
Past Chair  
American Resort Development Association Hawaii

MAI:anlb

cc: Ed Thompson  
549677.1



**OUTRIGGER**

ENTERPRISES GROUP

*Hospitality • Retail • Development*

HOUSE OF REPRESENTATIVES  
25<sup>th</sup> LEGISLATURE  
REGULAR SESSION of 2010

COMMITTEE ON FINANCE  
Representative Marcus Oshiro, Chair

2/10/10  
4:00 PM – Room 308

HB 2699  
Relating to Taxation

My name is Max J Sword, here on behalf of Outrigger Hotels, to offer our opposition to this bill.

The way the bill is written, the \$8 a day assessed and collected on an occupied room applies to a hotel room, whether that property gets revenue from that room or not.

Case in point, if a hotel charges a room for 4 nights and gives the 5<sup>th</sup> night fee, the 5<sup>th</sup> night is charged a \$8 TAX. The other 4 nights is assessed the regular rate for GET & TAT.

What this bill does not take into account, is that on promotions like these, the cost of the 5th room is built into the cost of the 4 nights. This is a norm promotional tactic used in the industry nationwide.

If you want to continue to hinder the recovery of the hotel industry, and believe me we are barely keeping our heads above water, pass this bill out.

Otherwise, we urge you to not pass out this bill.



**HOUSE COMMITTEE ON  
FINANCE**

February 10, 2010

House Bill 2699 Relating to Taxation

Chair Oshiro and members of the House Committee on Finance, I am Rick Tsujimura, representing Marriott Vacation Club International (Marriott).

Marriott opposes House Bill 2699, which increases the tax under section 237 D-2 from 7.25% or \$8 a day whichever is higher. During Hawaii's economic downturns and in catastrophic situations, like Hurricane Iniki, it was the timeshare industry which kept employees employed and tourism afloat. The increasing of taxes on timeshare owners when the circumstances of the state force it to seek revenues is counterproductive. Hawaii needs tourists and visitors. Be they timeshare guests or hotel guests, Hawaii can ill afford to make vacations here unaffordable.

More importantly, unlike hotel guests who can decide whether to come or not, timeshare owners have prepaid and continue to pay their fair share of all operating costs for the resort which they are owners. To penalize them and not other condominium owners who return each year is unfair and bad policy. If the state wants more visitors it should lower the timeshare tax not increase it as timeshare owners have already demonstrated their loyalty to Hawaii, by purchasing a unit here. To disincenent them is bad public policy.

For these reasons we urge the committee to hold this measure.

Thank you for the opportunity to present this testimony.

ORLANDO OFFICE  
1170 Celebration Boulevard  
Suite 106  
Celebration, Florida 34747 U.S.A.  
407-566-0250  
Fax 407-566-0255

February 9, 2010

WORLD HEADQUARTERS  
6262 Sunset Drive  
Miami, Florida 33143 U.S.A.  
[www.intervalworld.com](http://www.intervalworld.com)  
[www.resortdeveloper.com](http://www.resortdeveloper.com)

*Corporate Offices and  
Representatives in*

Denver  
Honolulu  
Las Vegas  
  
Argentina  
Brazil  
Canada  
Canary Islands  
China  
Colombia  
Egypt  
Finland  
Germany  
Greece  
Israel  
Italy  
Mexico  
New Zealand  
Portugal  
Singapore  
Spain  
United Arab Emirates  
United Kingdom  
Venezuela

House Finance Committee  
Representative Marcus Oshiro, Chair  
Representative Marilyn B. Lee, Vice Chair

RE: **HB 2874, RELATING TO THE TRANSIENT  
ACCOMMODATIONS TAX**  
**HB 2699, RELATING TO TAXATION**  
Wednesday, February 10, 2010  
Conference Room 308  
4:00 p.m.

Chair Oshiro and Members of the Committee:

Please allow me to introduce myself and our company. I am Tom Bell, Senior VP of Governmental Affairs for Interval International, Inc. a worldwide timeshare exchange company. As an exchange company, we do not develop or sell timeshare. Rather, our role is to allow owners of timeshare who are members of our exchange network to exchange their timeshare interests with other members, thus enabling members to visit other parts of the world for a very modest cost. We currently have approximately two million member households worldwide.

The purpose of the letter is to express our strong opposition to HB 2874, RELATING TO THE TRANSIENT OCCUPANCY TAX and HB 2699, RELATING TO TAXATION.

I will not repeat the arguments contained in the letter to this committee from the timeshare trade association, American Resort Development Association (ARDA). I will however add a few thoughts that arise from our unique position in this industry. Surveys consistently show that the exchange facet is one of the primary reasons people buy timeshare. While they may love the resort where they have purchased, sooner or later they would like to visit other places and can do so via exchange. For a low annual membership fee and exchange fee they can exchange their week for a comparable available accommodation anywhere in the world.

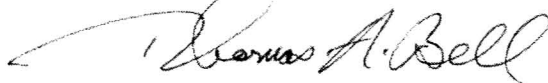
Many folks like to come to Hawaii. They usually stay for at least a week and spend a substantial amount while here. With the money they save from having the accommodation prepaid, they take advantage of all the locale offers including restaurants, shopping and local venues. Most locales welcome this income.

Nowhere else in the United States is a tax imposed on the stay of someone occupying an accommodation via a timeshare exchange-only in Hawaii. This latest bill would add to that tax.

We are strong supporters of Hawaii and all that it has to offer. We fear that sooner or later, particularly in tight economic times, our members may reach the conclusion that it is simply not worth the extra expense of the tax on top of the cost of airfare. The loss of income from visitors from outside the state is the last thing Hawaii needs as it tries to recover. We feel that these bills as applied to timeshare are simply penny wise and pound foolish.

We urge you to vote against these bills.

Sincerely yours,

A handwritten signature in black ink that reads "Thomas A. Bell". The signature is written in a cursive style with a long, sweeping underline that extends to the left.

Thomas A. Bell  
Senior Vice President, Governmental Affairs  
Interval International, Inc.

## moshiro1-Ann

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**From:** mailinglist@capitol.hawaii.gov  
**Date:** Monday, February 08, 2010 5:49 PM  
**To:** FINTestimony  
**Cc:** tom.donovan@ritzcarlton.com  
**Subject:** Testimony for HB2699 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2699

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Tom Donovan  
Organization: Ritz-Carlton, Kapalua  
Address: 1 Ritz-Carlton Dr Kapalua, HI 96761  
Phone: 808-665-7077  
E-mail: [tom.donovan@ritzcarlton.com](mailto:tom.donovan@ritzcarlton.com)  
Submitted on: 2/8/2010

### Comments:

The Bill HB 2699 which is asking for a flat tax on any room of at least \$8 does not seem fair. for those hotels or motels that hav had to drop their rate in order to just keep the business going and to keep people employeed will now get hit with an extra penalty since they cant push their rates higher. We also see that there might be an opportunity to tax hotels an \$8 fee on complimentary rooms. In this industry we are doing everything we can to make our businesses profitable in this very difficult economy. We have a tremendous possibility to keep as many people employed as possible and we run rooms complimentary in order to show off our resort to Travel Agents and Meeting Planners in order to secure future busniess. I dont think an additional tax on rooms costing less then 100 is fair to those hotels that are just trying to stay in business and those hotels trying to find new business as this is the only way we are going to make our industry healthy again.  
Tom Donovan VP and General Manager The Ritz-Carlton Kapalua