

TAXBILLSERVICE

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SUBJECT: TRANSIENT ACCOMMODATION, Resort fee

BILL NUMBER: HB 1539

INTRODUCED BY: Chong, Tsuji, Yamashita and 1 Democrat

BRIEF SUMMARY: Amends HRS section 237D-1 to amend the definition of "gross rental" or "gross rental proceeds" to include "resort fees."

Defines "resort fee" as any additional fee, charge, surcharge, levy, assessment, or sum collected by an operator to defray the cost of maintaining facilities or amenities used in common or jointly with another operator.

EFFECTIVE DATE: January 1, 2012

STAFF COMMENTS: It appears that this measure is proposed to extract additional tax revenues on the visitor industry, in this case by the imposition of the transient accommodations tax (TAT) on resort fees. It should be noted that while some resorts and hotels impose such a "resort fee" to provide guests access to certain areas of the resort, including swimming pools, health spas, tennis courts, etc., others may include it in the cost of the room. If the guest has no interest in these recreational "extras," he or she can choose not to pay the resort fee. The point is that renting a hotel accommodation does not require the guest to pay the resort fee but is an option and is not implicit in the cost of the room rental.

Other than a grab for more revenues, this proposal makes little sense in that it attempts to extend the TAT to services that are not a prerequisite of renting a hotel room. Even when a visitor buys a vacation package from a packager of rooms and activities, the TAT is collected only on the amount that is determined to be for the rental of the hotel room and not on tours, meals, and transportation. This is the start of a slippery slope. For example, as a promotion a hotel offers the guest free breakfast for two. But the daily hotel room rate is the same as that for someone off the street. Will this proposal set a precedent and give the department basis to impute the cost of the breakfast and impose both the general excise tax and the TAT on that imputed amount because it is being offered by the hotel?

The TAT was adopted with the rationale that the tax was supposed to be imposed on the gross income received from the rental of a hotel room and not from any charges that have nothing to do with that rental.

Digested 1/31/11

STARWOOD
HOTELS & RESORTS WORLDWIDE, INC.

LATE TESTIMONY

January 31, 2011

TO: Honorable Tom Brower, Chair
Honorable James Kunane Tokioka, Vice Chair
House Committee on Tourism

LATE

FR: Keith Vieira, Senior Vice President of Operations
Starwood Hotels and Resorts, Hawaii and French Polynesia

RE: HB 1539 – Relating to the Transient Accommodations Tax
Hawai'i State Capitol, Conference Room 312 – 9:15 AM

Aloha Chair Brower, Vice Chair Tokioka and Members of the Committee:

My name is Keith Vieira, senior vice president of operations for Starwood Hotels and Resorts in Hawai'i and in French Polynesia.

Mahalo for the opportunity to speak on HB 1539, relating to the Transient Accommodations Tax ("TAT"). This bill would levy a TAT on resort fees.

Our Hawai'i hotels and resorts compete with vacation destinations worldwide. So, we try to stay ahead of the curve by providing additional value for our guests.

Resort fees normally cover guest parking, the use of internet services, complimentary water and our hotel amenities. The value of these services and amenities is beyond the resort fee cost.

Our concern is that the imposition of any new taxes and fees on the visitor industry would not result in the generation of more revenues for the state as intended and may have perverse consequences by causing a visitor to choose another less costly destination than Hawai'i.

For these reasons, we respectfully request that you do not pass this bill.



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MEMORANDUM

LATE

TO: Representative Tom Brower
Chair, Committee on Tourism
Via Email: TOUTestimony@Capitol.hawaii.gov

FROM: Mihoko E. Ito

DATE: January 30, 2011

RE: **H.B. 1539 – Relating to Transient Accommodations Tax**
Hearing: Monday, January 31, 2011 at 9:15 a.m., Room 312

Dear Chair Brower and Members of the Committee on Tourism:

I am Mihoko Ito, 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 resorts on the Islands of Kauai, Oahu, and Hawaii, such as the Wyndham at Waikiki Beach Walk.

Wyndham Worldwide respectfully opposes H.B. 1539, which imposes the transient accommodations tax on resort fees, and therefore, effectively increases the transient accommodations tax.

While we appreciate that the state is facing budget difficulties, we respectfully submit that increasing the transient accommodations tax is an ill-advised solution. Timeshares in particular have significantly helped to buffer the impact of the ailing visitor industry, providing an over 90% occupancy rate in 2009. Because timeshare accommodations are pre-paid, timeshare owners who travel to Hawaii spend more discretionary income on their visits. Timeshare visitors are also property owners, many of whom also reside and

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own in Hawaii – they pay both real property taxes and maintenance fees. In short, timeshare owners bring substantial tax dollars to Hawaii.

Increasing the transient accommodations tax in Hawaii may ultimately contribute to a visitor decline, as timeshare owners may ultimately decide to vacation elsewhere. Rather than contribute to the visitor decline, efforts should be made to continue to promote tourism and attract visitors, including timeshare owners, to Hawaii.

For these reasons, we respectfully oppose this bill and ask that it be held. Thank you very much for the opportunity to submit testimony.

We respectfully oppose this bill and ask that it be held.