

**HB 795, HD1**

**TESTIMONY**

# HAWAII COUNCIL OF MAYORS



Testimony of the

## Hawai'i Council of Mayors

Bernard P. Carvalho, Jr. Mayor of Kaua'i County  
Peter Carlisle, Mayor of city and County of Honolulu  
Billy Kenoi, Mayor of Hawai'i County  
Alan Arakawa, Mayor of Maui County

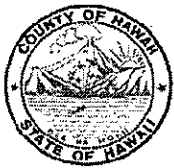
The Honorable Donna Kim, Chair  
Senate Committee on Tourism  
The Honorable Will Esparto, Chair  
Senate Committee on Public Safety, Government Operations, and Military Affairs  
Twenty-Sixth Legislatures  
Regular Session of 2011  
State of Hawaii

March 22, 2011

RE: Testimony of the Hawaii Council of Mayors Opposing H.B. 795, H.D. 1

Chair Kim and members of the Senate Committee on Tourism, Chair Esparto and members of the Senate Committee on Public Safety, Government Operations, and Military Affairs, the Hawaii Council of Mayors ("HCOM") submits the following testimony which opposes any changes to the Transient Accommodations Tax ("TAT") at this time.

The transient accommodations tax (TAT) was established in 1986 under Act 304, Session Laws of Hawaii and imposed a five per cent (5%) tax on the gross revenues derived from the furnishing of transient accommodations.



Mayor Billy Kenoi  
County of Hawaii  
25 Aupuni Street  
Hilo, Hawai'i 96720



Mayor Peter Carlisle  
City and County of Honolulu  
530 South King Street  
Honolulu, Hawai'i 96813



Mayor Bernard Carvalho, Jr.  
County of Kaua'i  
4444 Rice Street  
Lihue, Hawai'i 96766



Mayor Alan Arakawa  
County of Maui  
200 South High Street, 9<sup>th</sup> Floor  
Wailuku, Hawaii 96793

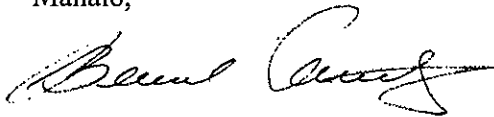
In 1990, the Legislature recognized that "...many of the burdens imposed by tourism fall on the counties" and noted that increased pressures of the visitor industry meant greater demands on county services, such as "...providing, maintaining, and upgrading police and fire protection, parks, beaches, water, roads, sewage systems, and other tourism related infrastructure." (House Journal 1990; Conference Committee Report No. 207.)

In these difficult economic times, we ask that you remember that we all serve a common constituency. County governments have a major role in supporting tourists and our visitor industry. County governments maintain the public safety services, water and sewer infrastructure, roads, transportation, parks, and public facilities that support and benefit the visitor industry.

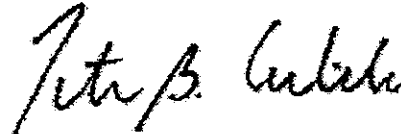
We believe that the current TAT rate and distribution equitably serves the underlying intent of the law, which is to support and improve the quality of Hawaii tourism product and infrastructure. We believe that, like the state, the counties have similar economic challenges in these trying times. For this reason, we ask that you hold this bill and keep the current TAT structure as is.

Thank you for this opportunity to testify.

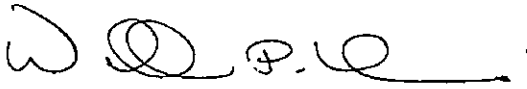
Mahalo,



Bernard P. Carvalho, Jr.  
Mayor of Kaua'i



Peter Carlisle  
Mayor of Honolulu

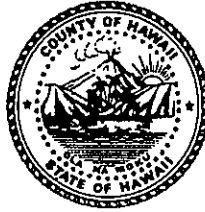


William P. Kenoi  
Mayor of Hawai'i



Alan Arakawa  
Mayor of Maui

William P. Kenoi  
Mayor



William T. Takaba  
Managing Director

Walter K.M. Lau  
Deputy Managing Director

## County of Hawai'i Office of the Mayor

25 Aupuni Street, Suite 2603 • Hilo, Hawai'i 96720 • (808) 961-8211 • Fax (808) 961-6553  
KONA: 74-5044 Ane Keohokalole Hwy., Bldg. C • Kailua-Kona, Hawai'i 96740  
(808) 323-4444 • Fax (808) 323-4440

March 22, 2011

The Honorable Donna Mercado Kim, Chair  
And Members of the Senate Committee on Tourism  
The Honorable Will Espero, Chair  
And Members of the Senate Committee on Public Safety  
Government Operations and Military Affairs  
Hawai'i State Capitol, Room 224  
415 South Beretania Street  
Honolulu, Hawai'i 96813

Aloha, Chair Kim, Chair Espero and Committee Members:

Thank you for this opportunity to express my concerns with House Bill 795 HD1, which would temporarily cap the four counties' share of the transient accommodation tax (TAT) at the lesser of \$101.97 million or 44.8 percent of actual TAT collections each year until June 30, 2015.

My administration is now in the third year of a challenging effort to reduce the size and cost of government to offset a decline in property tax collections, which are the county's largest source of revenue. HB 795 HD1 would cap county collections from our second largest source of revenue, which is the transient accommodations tax.

We are concerned that capping the TAT funding distributed to the counties will leave the counties without the necessary resources to support the visitor industry. From the time of the establishment of the TAT in 1986, the Legislature planned to make the Counties beneficiaries of the hotel room tax because lawmakers recognized the importance of county facilities and services to support and enhance the visitor experience. It was always understood that much of the burden of mass tourism is carried by the counties.

We respectfully oppose this bill. Mahalo for your consideration.

Aloha,

William P. Kenoi  
MAYOR

**Bernard P. Carvalho, Jr.**  
Mayor



**Gary K. Heu**  
Managing Director

**OFFICE OF THE MAYOR**  
**County of Kaua'i, State of Hawai'i**  
4444 Rice Street, Suite 235, Lihu'e, Hawai'i 96766  
TEL (808) 241-4900 FAX (808) 241-6877

Testimony of the  
**County of Kaua'i**  
Bernard P. Carvalho, Jr., Mayor  
4444 Rice Street, Suite 235  
Lihu'e, Hawai'i 96766  
Tel: (808) 241-4900; Fax (808) 241-6877

Before a Hearing of the  
**Committee on Tourism and**  
**Committee on Public Safety, Government Operations, and Military Affairs**  
Tuesday, March 22, 2011  
1:15 p.m.  
State Capitol  
Conference Room 224

**House Bill 795 proposed HD1, Relating to Taxation**

Thank you for allowing me this opportunity to convey my reservations on the implications of HB No. 795 proposed HD 1 which preserves the distribution of transient accommodation tax (TAT) revenues to the counties but places a fixed dollar cap on the total amount of TAT funds that would be distributed to the counties.

While HB No. 795 proposed HD 1 limits the amount of TAT revenues distributed to the counties, we appreciate the fact that the bill does not fully deprive the counties of this critical revenue source.

The transient accommodations tax (TAT) was established in 1986 under Act 304, Session Laws of Hawai'i and imposed a five per cent (5%) tax on the gross revenues derived from the furnishing of transient accommodations.

In 1990, the Legislature recognized that "...many of the burdens imposed by tourism fall on the counties" and noted that increased pressures of the visitor

*An Equal Opportunity Employer*

industry meant greater demands on county services, such as "...providing, maintaining, and upgrading police and fire protection, parks, beaches, water, roads, sewage systems, and other tourism related infrastructure." (House Journal 1990; Conference Committee Report No. 207)

For this reason, Act 185, Session Laws of Hawaii 1990, provided that 95% of the TAT revenues be distributed to the counties as follows: 44.1 per cent to the City and County of Honolulu, 22.8 per cent to the County of Maui, 18.6 per cent to the County of Hawaii, and 14.5 per cent to the County of Kauai and the remaining 5%, was to be retained by the State to cover the administrative costs of assessment, collection, and disposition of the revenues.

Although the TAT rate and distribution formula have been revised at various times over the past twenty years, the basic underlying intent of the law has always remained constant -- to support and improve the quality of Hawai'i's tourism product and infrastructure.

Since taking office, my Administration has taken a very conservative approach to the County's financial management and will continue to do so until this economic storm passes. In this current fiscal year, we made a conscious effort to reduce our budget and closely manage our expenses to avoid reducing services. The challenge was especially difficult since we concurrently experienced a 10.2% reduction in real property tax revenues. Recently, with the support of the County Council, we have even been able to eliminate 2-day furloughs for our employees. All of this would not have been possible had we not been able to retain our share of the TAT.

We all serve a common constituency -- residents of Kaua'i are also residents of the State of Hawai'i. Any action by the Legislature to cap or reduce TAT funding and/or transfer State services to the Counties will not solve the problem. It will merely shift the burden of responsibility from one governmental entity to another while the impacts and negative consequences on our visitors and residents ultimately remain unresolved.

We ask that you acknowledge the role county governments have in supporting tourists and our visitor industry. County governments maintain the public safety services, water and sewer infrastructure, roads, transportation, parks, and public facilities that support and benefit the visitor industry. Capping the TAT funding would have a direct impact on the very industry that generates the hotel room tax revenues.

We are now at a cross-road in time. Because of the difficult economic conditions, the Legislature is considering capping the Counties share of the TAT and

is looking at the possibility of using these funds to balance the State's existing budgetary shortfall.

We fully recognize and empathize with the State's budgetary challenges. We also face and must continue to deal with many of our own revenue shortfalls at the county level. For this reason, I humbly ask that you consider working closely with the counties and keep open lines of communication that fosters productive dialogue and decision making prior to adopting any measure intended to limit the counties fair share to the TAT.

Sincerely,

A handwritten signature in black ink, appearing to read "Bernard Carvalho, Jr.", with a stylized flourish at the end.

Bernard P. Carvalho, Jr.  
Mayor

Council Chair  
Danny A. Mateo

Vice-Chair  
Joseph Pontanilla

Council Members  
Gladys C. Baisa  
Robert Carroll  
Elle Cochran  
Donald G. Couch, Jr.  
G. Riki Hokama  
Michael P. Victorino  
Mike White




Director of Council Services  
Ken Fukuoka

**COUNTY COUNCIL**  
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200 S. HIGH STREET  
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[www.maui-county.gov/council](http://www.maui-county.gov/council)

March 21, 2011

TO: Honorable Donna Mercado Kim, Chair  
Senate Committee on Tourism  
  
Honorable Will Espero, Chair  
Senate Committee on Public Safety, Government Operations, and Military Affairs

FROM: Joseph Pontanilla, Council Vice-Chair 

DATE: Tuesday March 22, 2011

SUBJECT: **TESTIMONY IN OPPOSITION OF HB 795 HD1, RELATING TO TAXATION**

Thank you for the opportunity to testify in opposition of this measure. I provide this testimony as an individual member of the Maui County Council.

I **oppose HB 795 HD1** for the reasons cited in testimony submitted by Maui County Council Chair Danny A. Mateo. I urge you not to support this measure.



Council Chair  
Danny A. Mateo

Vice-Chair  
Joseph Pontanilla

Council Members  
Gladys C. Baisa  
Robert Carroll  
Elle Cochran  
Donald G. Couch, Jr.  
G. Riki Hokama  
Michael P. Victorino  
Mike White




Director of Council Services  
Ken Fukuoka

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March 21, 2011

TO: Honorable Donna Mercado Kim, Chair  
Senate Committee on Tourism

Honorable Will Espero, Chair  
Senate Committee on Public Safety, Government operations, and Military Affairs

FROM: Robert Carroll  
Council Member, East Maui 

DATE: Tuesday, March 22, 2011

SUBJECT: **OPPOSITION TO HB 795 H.D. 1, RELATING TO TAXATION**

I oppose HB 795, HD1 for the reasons cited in testimony submitted by the Maui County Council Chair, and urge you to oppose this measure.

**kim3 - Samantha**

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**From:** Tina Desuacido [tina500@juno.com]  
**Sent:** Friday, March 18, 2011 11:04 AM  
**To:** TSM Testimony  
**Subject:** Tax Foundation Testimony  
**Attachments:** h0795a11.pdf

**TRANSMISSION OF TESTIMONY**

**DATE:** Friday, March 18, 2011

**TO:** Senate Committee on Tourism  
Senate Committee on Public Safety, Government Operations & Military Affairs

**FROM:** Tax Foundation of Hawaii

**Total Pages 1**

**FOR:** Sen. Donna Kim, Chair  
Sen. Will Espero, Chair

**Testifier:** Lowell L. Kalapa, President - Tax Foundation of Hawaii

(Mr. Kalapa will not appear in person at the hearing.)

**Date of Hearing - Tuesday, March 22, 2011**

**Position: Comments**

**Time of Hearing - 1:15 pm**

**HB 795, HD-1 - Relating to Taxation (1 page)**

**Number of copies - 1**

**Thank you.**

# TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

**SUBJECT:** TRANSIENT ACCOMMODATIONS, Distribution to counties

**BILL NUMBER:** HB 795, HD-1

**INTRODUCED BY:** House Committee on Finance

**BRIEF SUMMARY:** Amends HRS section 237D-6.5 to provide that until June 20, 2015 the counties share of the transient accommodations tax (TAT) revenues shall be 44.8% or \$101,978,000, whichever is less; provided that if based on the actual transient accommodations tax revenues derived during the fiscal year, the counties' share for the entire fiscal year is less than \$101,978,000, the state director of finance shall pay the counties an appropriately adjusted amount.

This act shall be repealed on June 30, 2015; provided that HRS section 237D-6.5, shall be reenacted in the form in which it existed on the day prior to the effective date of Act 61, SLH 2009.

**EFFECTIVE DATE:** July 1, 2011

**STAFF COMMENTS:** This measure would temporarily limit the counties' share of the TAT revenues to the amount they received in fiscal 2010. It should be remembered that in a down economy, taxpayers are examining their spending priorities and paring back their spending - a concept that state and local governments have to adopt to regain control of their finances. At a time when taxpayers are doing more with less, government should do the same.

What this measure underscores is the fact that both state and county governments have grown well beyond their means. The counties have justified their share of the TAT by rationalizing that the funds go to pay for the impact visitors have on county facilities and services; however, at the same time all four counties have managed to impose much higher tax rates on hotel/resort real property and in one case a special rate on resort time share property. The counties must be held accountable for their fiscal antics which have led homeowner real property taxpayers into believing they can have more county services with little or no increase in their tax burden.

Both levels of government need to resize their operations and set priorities for what limited resources taxpayers can share with government.

Digested 3/18/11

## kim3 - Samantha

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, March 21, 2011 3:44 PM  
**To:** TSM Testimony  
**Cc:** county.council@mauicounty.us  
**Subject:** Testimony for HB795 on 3/22/2011 1:15:00 PM  
**Attachments:** hb795, hd1\_paf11-078\_skk.pdf

Testimony for TSM/PGM 3/22/2011 1:15:00 PM HB795

Conference room: 224  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Danny A. Mateo, Council Chair  
Organization: Individual  
Address:  
Phone:  
E-mail: [county.council@mauicounty.us](mailto:county.council@mauicounty.us)  
Submitted on: 3/21/2011

Comments:

Council Chair  
Danny A. Mateo

Vice-Chair  
Joseph Pontanilla

Council Members  
Gladys C. Baisa  
Robert Carroll  
Elle Cochran  
Donald G. Couch, Jr.  
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Director of Council Services  
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March 21, 2011

TO: The Honorable Donna Mercado Kim, Chair  
Senate Committee on Tourism

The Honorable Will Espero, Chair  
Senate Committee on Public Safety, Government Operations, and Military Affairs

FROM: Danny A. Mateo  
Council Chair

SUBJECT: **HEARING OF MARCH 22, 2011; TESTIMONY IN OPPOSITION OF HB 795, HD1  
RELATING TO TAXATION**

Thank you for the opportunity to testify in **opposition** to this important measure. The purpose of this measure is to place a temporary limit on the amount of Transient Accommodations Tax (TAT) revenues distributed to the counties. The proposed limit is the lesser of 44.8 percent or \$101,978,000 of the total TAT revenues collected in a fiscal year.

The Maui County Council has not had the opportunity to take a formal position on this measure. Therefore, I am providing this testimony in my capacity as an individual member of the Maui County Council.

I oppose this measure for the following reasons:

1. There is a clear correlation between the visitors' impact on county infrastructure and returning a fair share of the county-earned TAT revenue to the respective county government. As Maui County begins to see a rise in visitor counts, I am concerned that placing a ceiling of any kind on the distribution of TAT could hinder the County's ability to fully participate in any economic recovery experienced by the State.
2. A limit on TAT distribution would create an unfair imbalance as costs associated with an increase in visitor counts within a county would not be offset by a corresponding increase in revenues to that county. According to testimony submitted by the State Department of Taxation at the House Finance Committee's meeting of March 2, 2011, it is estimated that annual double digit percentage increases in revenue to the State could result should a limit on TAT revenue distribution to the counties be established. However, this increase in TAT revenue to the State fails to acknowledge the associated increase in expenditures in infrastructure and public safety costs that will undoubtedly fall to the counties.
3. Maui County's primary source of revenue is derived from real property taxes. Therefore, any limit placed on the amount of TAT revenues distributed to Maui County could unfairly burden property tax payers should there be an increased need for infrastructure improvements and public safety services as a result of increased tourism activity.

For the foregoing reasons, I oppose this measure.

**kim3 - Samantha**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, March 21, 2011 4:21 PM  
**To:** TSM Testimony  
**Cc:** gladys.baisa@mauicounty.us  
**Subject:** Testimony for HB795 on 3/22/2011 1:15:00 PM  
**Attachments:** HB795.HD1.Opposition.Testimony.doc

Testimony for TSM/PGM 3/22/2011 1:15:00 PM HB795

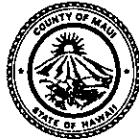
Conference room: 224  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Gladys C. Baisa  
Organization: Individual  
Address:  
Phone:  
E-mail: [gladys.baisa@mauicounty.us](mailto:gladys.baisa@mauicounty.us)  
Submitted on: 3/21/2011

Comments:

Council Chair  
Danny A. Mateo

Vice-Chair  
Joseph Pontanilla

Council Members  
Gladys C. Baisa  
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March 21, 2011

TO: The Honorable Donna Mercado Kim, Chair  
Senate Committee on Tourism  
The Honorable Will Espero, Chair  
Senate Committee on Public Safety, Government Operations & Military Affairs

FROM: Gladys C. Baisa  
Council Member

SUBJECT: **HEARING OF MARCH 22 2011; TESTIMONY IN OPPOSITION OF HB 795, HD1,  
RELATING TO TAXATION**

Thank you for the opportunity to testify in **opposition** to this important measure. The purpose of this measure is to place a temporary limit on the amount of Transient Accommodations Tax (TAT) revenues distributed to the counties. The proposed limit is the lesser of 44.8 percent or \$101,978,000 of the total TAT revenues collected in a fiscal year.

I oppose HB 795, HD1 for the reasons cited in testimony submitted by Maui County Council Chair and urge you to oppose this measure.

GCB:amm