NEIL ABERCROMBIE
GOVERNOR

BRIAN SCHATZ
LT. GOVERNOR

FREDERICK D. PABLO
DIRECTOR OF TAXATION

RANDOLF L. M. BALDEMOR
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1530
FAX NO: (808) 587-1584

# HOUSE COMMITTEE ON FINANCE

## TESTIMONY OF THE DEPARTMENT OF TAXATION REGARDING HB 809, HD 1 PROPOSED HD 2 RELATING TO THE TRANSIENT ACCOMMODATIONS TAX

| | |
|---|---|
| **TESTIFIER:** | **FREDERICK D. PABLO, DIRECTOR OF TAXATION (OR DESIGNEE)** |
| **COMMITTEE:** | **FIN** |
| **DATE:** | **FEBRUARY 25, 2011** |
| **TIME:** | **5:00PM** |
| **POSITION:** | **SUPPORT** |

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This measure temporarily increases the transient accommodations tax (TAT) on transient accommodation occupancy to conform to the TAT increase for transient accommodation rental income that was passed in 2009.

The Department of Taxation (Department) **supports** this measure.

In 2009, Act 61 increased the TAT by one per cent per year for two consecutive years. Under Act 61, the current rate of TAT is 9.25% on the gross rental proceeds.

This increase, however, only applied to gross rental receipts received by hotels or timeshare owners who were renting out their units. The increased rates did not apply to timeshare owners occupying their units. This measure amends the tax rate for timeshare owners to conform to the 2009 rate increases applied to rental proceeds. The Department supports imposing the same rate on transient accommodation occupancy as on transient accommodation rental receipts. In addition, the Department recommends including the provision in HB 1092 modifying the definition of the base on which this tax is paid.

The Department estimates this bill will result in a revenue gain of $3 million per year for FY2012 through FY2015.

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON FINANCE
ON
HOUSE BILL NO. 809, PROPOSED H.D. 2

February 25, 2011

RELATING TO THE TRANSIENT ACCOMMODATIONS TAX

House Bill No. 809, Proposed H.D. 2, temporarily increases the transient accommodations tax rate on time share units.

The Department of Budget and Finance supports the intent of this proposal as it is similar to the Administration's proposal to: 1) adjust the basis for determining the fair market rental value on timeshare units; and 2) increase the transient accommodations tax rate on timeshare units. These are important components of the Abercrombie Administration's approach to addressing the general fund budget shortfall.

We defer to the Department of Taxation regarding the various technical issues of the proposal.

L E G I S L A T I V E

# TAXBILLSERVICE

126 Queen Street, Suite 304 TAX FOUNDATION OF HAWAII Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: TRANSIENT ACCOMMODATION, Additional tax on time share units

BILL NUMBER: HB 809, Proposed HD-2

INTRODUCED BY: House Committee on Finance

BRIEF SUMMARY: Amends HRS section 237D-2 to impose an additional tax of 2% on the fair market rental of a time share vacation unit between July 1, 2011 and June 30, 2015.

Amends HRS section 237D-6.5(b) to provide that the revenues derived from the increase shall be deposited into the general fund.

EFFECTIVE DATE: July 1, 2011

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. This measure would impose an additional tax of 2% in addition to the TAT on resort time share units between July 1, 2011 and June 30, 2015 and also provides that the additional revenues derived shall be deposited into the general fund.

Apparently in their rush to raise additional revenues for the general fund by raising the TAT rate on hotel rentals, lawmakers overlooked timeshare rentals which are taxed under a different section of the TAT law than all other hotel rentals. This measure proposes to bring the taxation of time share rentals into line with all other transient accommodation rentals. Although the rate increase on other hotel rentals was phased in, the rate currently stands at 9.25%. Thus, this proposal would make the two percentage point increase in one fell swoop, rising to 9.25% on time shares as of July 1 of this year. It should be noted once again that this rate increase is solely to shore up the state general fund as the proceeds from the rate increase will accrue to the state general fund.

Although this may appear to be a move to maintain parity, what is most disconcerting is that there is the great possibility that lawmakers may become accustomed to the increased revenues as the visitor industry and economy improves. Will lawmakers consider making this rate increase and siphoning of the TAT revenues to the general fund permanent? Consider that as the economy and room rates improve, the general fund will once again become flush with cash. Lawmakers will take this good fortune as a reason to once more spend with abandon. To avoid this, lawmakers need to impose discipline on their spending of all the money they can get their hands on with the realization that this practice is what got the state into the trouble it is now trying to address. Unfortunately, what policy makers have failed to realize is that the more they extract from the economy in taxes and fees the more economic performance declines. As economic performance declines, so do tax revenues.

Digested 2/24/11

**FINTestimony**

**From:** Noe Hookano [n.hookano@lawaibeach.org]
**Sent:** Thursday, February 24, 2011 5:16 PM
**To:** FINTestimony
**Subject:** Testimony HB 809

LAWAI BEACH RESORT

*"A Contemporary Resort with true Hawaiian Values"*

House Finance Committee Hearing
Friday, February 25, 2011, 5:00 p.m.
Conference Room 306

Testimony on HB 809, Relating to Transient Accommodations Tax

Dear Representative Marcus R. Oshiro and Committee Members;

I am writing in OPPOSITION of HB 809.

The increase to our maintenance fees will be 27%+ to our owners. We have been able to maintain our occupancy through the economic downturn since timeshare owners have an investment in Hawaii. They pay their maintenance fees including general excise tax and property tax, so will return to vacation. While they are here on vacation, they also spend from $3000 - $6000 in our communities for activities, dining and shopping.

The increase will potentially make Hawaii a less desirable vacation ownership destination as there are many other areas available. Our owners return each year because they love the islands and the people.

I humbly ask that you OPPOSE HB809.

Warmest Aloha,

Hookano

Primrose K. 'Noe' Hookano
General Manager

# WAIKĪKĪ IMPROVEMENT ASSOCIATION

Statement of
**Rick Egged, President**
**Waikīkī Improvement Association**
Before the
**HOUSE COMMITTEE ON FINANCE**
Friday, February 25, 2011, 5:00 PM
State Capitol, Conference Room 308
in consideration of

**HB 809 HD1**
**RELATING TO THE TRANSIENT ACCOMMODATIONS TAX**

Good afternoon Chair Oshiro, Vice Chair Lee and members of the Committee:

I am Rick Egged testifying on behalf of the Waikīkī Improvement Association. WIA is a nonprofit organization representing 150 leading businesses and stakeholders in Waikīkī.

The Waikīkī Improvement Association strongly opposes HB 809 HD1.

The revitalization of Waikīkī is a huge success story. From 2001 to 2010 over three billion dollars in private funds have redeveloped large portions of Waikīkī. However there is still a major segment of our visitor unit inventory that needs upgrading. Time Shares are an important option that enables properties to finance this next step in Waikīkī's redevelopment. At a time when the economic recovery is fragile and project financing difficult to secure, a bill like HB 809 that drastically increases the tax on time share units has a chilling effect on that investment. An investment that infuses sorely needed funds into Hawai'i's construction industry. The reinvestment in our visitor plant also saves tourism related jobs and provides the opportunity for new job creation as well.

Waikīkī alone contributes, directly and indirectly, 7% of the state GDP, 7.7% of all the jobs in the state, and 8.8% of total state tax revenues. It is necessary that state government balance the budget but not to the detriment of the primary sources of revenue generation, that would be counterproductive.

Thank you for the opportunity to provide these comments.

ROC
RESORT OWNERS' COALITION
c/o PMCI Hawaii 84 N. King Street Honolulu, HI 96817 (808) 536-5688

February 25, 2011

**TO:** House Committee on Finance
Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair

**FROM:** ARDA Resort Owners Coalition

**DATE:** Friday, February 25, 2011
Conference Room 308
5:00 pm

**RE:** **HB 809 RELATINGTO THE TRANSIENT ACCOMMODATIONS TAX PROPOSED HD2**

Chair Oshiro and Members of the Committee:

The Resort Owners' Coalition of the American Resort Development Association (ARDA-ROC) is a non-profit organization advocating on behalf of timeshare owners and managers and dedicated to preserving and protecting the rights of the consumers who purchase timeshare as well as their governing home owners associations. Unlike other types of condominium ownership, timeshare owners are often not able to vote in the jurisdictions in which they hold a real estate interest. ARDA-ROC was formed to fight unbalanced "tax the visitor not the voter" legislation.

In 1998 when the original TAT on maintenance fees was enacted, ARDA-ROC opposed the legislation but ultimately accepted the tax to preserve harmony in the visitor industry in Hawaii. As you may or may not be aware, Hawaii is the only state in the United States which levies a tax on timeshare maintenance fees, essentially charging a tax for an owner of real estate to stay in his or her own property. However, with the suggestion of any potential increase in this one-of-a-kind tax, ARDA ROC has the fiduciary responsibility to all timeshare owners to fight this unprecedented tax.

Earlier this year, ARDA-ROC opposed HB 809 and HB 1163 which, together, proposed to increase the transient accommodations tax (TAT) rate for timeshare units from July 1, 2010, to June 30, 2015, from 7.25% to 9.25%, and also increase the base maintenance fee calculation from 50% to 150% resulting in a nearly 300% increase in the TAT. According to our calculations, under the current law, a timeshare owner with a $1000 maintenance fee payment will pay a TAT of $36.20. Under these bills, the TAT payment for the same owner will increase to $138.70. For an owner with a $2,000 maintenance fee payment, their TAT will increase from $72.50 to $277.50.

The current versions of HB 809 HD1 and HB 809 HD2 no longer focus on the definition of fair market rental value, but instead focus on the increase in the TAT rate. HB 809 HD2 proposes an increase in the TAT rate from its current 7.25% to 9.25%. This would be a 27.5% increase in the current tax a timeshare owner pays on their maintenance fees. For the same reasons ARDA ROC opposed the prior proposed tax increases, ARDA ROC opposes any increase in the TAT rate as it would represent an in increase in an already unprecedented tax and is not backed by good public policy.

As some general background, in 2009, the timeshare industry accounted for approximately $40 million in tax revenue to the state of Hawaii (e.g. property tax, conveyance taxes, maintenance fees, and GET). That includes the full TAT that is paid on timeshare units when they are rented to non-owners and the TOT that is paid when an owner or exchange user stays in a unit (a tax that no other property owner in Hawaii must pay). Additionally, as real property owners, timeshare owners are obligated to pay a maintenance fee, which includes real property taxes (in some cases such as Maui at a much higher formula than residential or commercial).

We often hear that the timeshare industry, including timeshare owners, do not pay its fair share of taxes. However, we have never been provided with any empirical data to back up that claim. So, with the help of Hospitality Advisors, LLC, we performed our own research to see if those claims had any merit. What we found was that not only does the timeshare industry pay its fair share of taxes, but on a unit to unit comparison, a timeshare unit also pays more taxes than a comparable hotel unit.

Set forth below is a unit by unit comparison of the taxes paid by the average timeshare unit and a comparable hotel unit as prepared by Hospitality Advisors LLC:

**Comparison of Hotel and Timeshare Estimated 2009 Taxes Paid per Unit**

| State of Hawai'i | Taxes Paid per Unit[i] | | | |
|---|---|---|---|---|
| | Hotels | Timeshare[ii] | $ Difference | % Difference |
| General Excise Tax[iii] | $2,000 | $2,350 | $350 | 18% |
| Real Property Tax[iv] | $2,570 | $5,480 | $2,910 | 113% |
| Transient Accommodation Tax[v] | $3,930 | $740 | -$3,190 | -81% |
| Transient Occupancy Tax[vi] | *Not applicable* | $1,350 | *Not applicable* | *Not applicable* |
| TOTAL | $8,500 | $9,920 | $1,420 | 17% |

*Source: Hospitality Advisors LLC, Smith Travel Research, survey respondents*

[i] Rounded to the nearest ten dollars ($10).
[ii] Data for timeshare units were based on a survey of the Hawai'i Timeshare industry, representing a sample size of 91.6 percent of the timeshare units in the State. Based on the data provided by participants, a weighted estimation model was used to estimate the taxes paid by the non-respondent properties. We note that information provided to us was not audited nor verified and is assumed to be correct for the purposes of this engagement.
[iii] General excise taxes for hotels are based on 2010 transient accommodation room revenues and do not include revenues for food & beverage, retail, or any other hotel revenue. General excise taxes for timeshares are based on 2009 maintenance fees and 2009 transient accommodation revenues for room nights used as hotel.
[iv] Real property taxes for hotels represent 2009 HOST data from Smith Travel Research. Real property taxes for timeshare are based on 2009 taxes paid by the timeshare industry.
[v] Transient accommodation taxes for hotels are based on 2010 room revenues. Transient accommodation taxes for timeshares are based on 2009 transient accommodation revenues for room nights used as hotel.
[vi] Transient occupancy taxes for timeshare are based on the fair market rental value for 2009 room nights used for occupancy by timeshare owners and exchangers.

So, it is quite clear to us that timeshare owners pay their fair share of taxes, especially in light of the tax contributions of hotel guests. This is not to say that the hotel industry is not paying its fair share; but instead, the statistics show that the timeshare industry generates significant revenues for the State in the form of GET, TAT and TOT, as well as large contribution to the Counties via the payment of real property taxes.

In addition, the two areas where timeshare owners pay the most taxes (real property and TOT) have built-in increases almost guaranteeing year to year growth. For instance, for every year in which property values increase, so does the amount of money timeshare owners pay in property taxes. And every year as more people purchase timeshares, more people are paying TOT thus increasing overall collections. And every year maintenance fee assessments increase (due to both the increase in property taxes, which are included in the maintenance fees, general increases in the costs of goods and labor), the State sees an increase in collections.

For these reasons ARDA-ROC believes that any increase in the TAT rate as applied to timeshare owners' maintenance fees are not warranted.

Finally, we ask why the legislature would want to increase taxes on one of the only growth markets in Hawaii, threatening to reduce job creation and tax collections. According to research conducted by Hospitality Advisors generated from information provided to it from the timeshare industry in Hawaii, the timeshare industry will potentially account for over $550 million dollars in construction spending and will likely generate more than 1,200 construction jobs through 2013? Set forth below is information from the report that helps to provide a snapshot of the potential financial impacts that the industry will have on the economy in Hawaii. We believe any increase in taxes on either the industry itself or those who purchase and use the product threatens to halt some if not a significant portion of this growth, which would be negative for both in the industry and timeshare owner base alike.

**ATTACHMENT A**
**Economic Impact from the Construction and Operation of New Timeshare Units in 2011 through 2013**

Table 1 Construction Budgets for Timeshare Projects (2011-2013)

| *($ millions)* | State | Maui | O'ahu | Kaua'i | Big Island |
|---|---|---|---|---|---|
| Construction Budgets for New Timeshare Units | $ 560.0 | $ 225.0 | $ 78.0 | $ 165.0 | $ 92.0 |
| Renovation and Capital Expenditures for Existing Timeshare Units | $ 81.5 | $ 30.1 | $ 12.9 | $ 34.0 | $ 4.6 |
| Total | $ 641.5 | $ 255.1 | $ 90.9 | $ 199.0 | $ 96.6 |

*Source: Hospitality Advisors LLC*

Table 3 New Jobs and Tax Revenues from the Operations for New Timeshare Units (2011 - 2013)

| | State | Maui | O'ahu | Kaua'i | Big Island |
|---|---|---|---|---|---|
| Number of New Timeshare Units Added to Supply | 1,190 | 130 | 730 | 130 | 200 |
| Total Timeshare Sales ($ millions) | $ 1,204.3 | $ 434.3 | $ 311.0 | $ - | $ 459.0 |
| New Timeshare Jobs | 1,250 | 140 | 770 | 20 | 320 |
| Taxes Generated from Timeshare Operations ($ millions) | | | | | |
| General Excise Tax | $ 1.8 | $ 0.3 | $ 1.1 | $ - | $ 0.4 |
| Timeshare Occupancy Tax | $ 0.9 | $ 0.1 | $ 0.7 | $ - | $ 0.1 |
| Transient Accommodation Tax | $ 0.2 | $ 0.2 | $ - | $ - | $ - |
| Conveyance Tax | $ 1.8 | $ 0.7 | $ 0.5 | $ - | $ 0.7 |
| Real Property Tax | $ 19.8 | $ 3.0 | $ 7.7 | $ - | $ 9.0 |
| Total Tax | $ 24.6 | $ 4.3 | $ 10.0 | $ - | $ 10.2 |

*Source: Hospitality Advisors LLC, Belt Collins Hawaii, Ltd.*
*Note: Composite sales and tax estimates reflect only those properties that provided timeshare sales data. Therefore the estimates provided in this schedule do not reflect the full impact from all pipeline developments to be completed during 2011 to 2013.*

Year after year, proposals have been introduced to increase either the TAT rate or the base calculation on the TAT that timeshare owners pay on their maintenance fees. And for years, ARDA-ROC and timeshare owners have had to contend with these increases. Timeshare owners in Hawaii are already burdened with some of the highest taxes in the country and they do not deserve any additional increases.

In conclusion, this legislation not only represents a potential financial disaster for timeshare owners, especially to the nearly 6,000 Hawaii residents who own timeshare in Hawaii, but it is also horrible policy for Hawaii and its overall visitor industry. Timeshare owners are real property owners, and while a hotel guest can simply cancel their reservation if they chose not to pay the increased TAT, a timeshare owner continues to have a legal obligation to pay maintenance fees and the TAT levied upon that amount. The statistics show that the timeshare owner already pays their fair share of taxes especially in comparison to the hotel guest and has made a significant investment in pre-purchasing of lifetime of vacations when they first bought the timeshare interest.

While ARDA-ROC remains supportive of the hospitality and visitor industry in Hawaii, if the trend at the legislature is to continue looking for additional tax dollars from timeshare owners we will have to research all options to defeat these measures, including a potential suit against the State of Hawaii to eliminate this tax altogether.

Thank you for allowing us the opportunity to present testimony on this important matter.

ARDA

American Resort Development Association
c/o PMCI Hawaii 84 N. King Street Honolulu, HI 96817 (808) 536-5688

February 25, 2011

**TO:** House Committee on Finance
Representative Marcus Oshiro, Chair
Representative Marilyn Lee, Vice Chair

**FROM:** Daniel Dinell
Chair
ARDA-Hawaii

**DATE:** Friday, February 25, 2011
Conference Room 308
5:00 p.m.

**RE:** **HB 809 RELATINGTO THE TRANSIENT ACCOMMODATIONS TAX**
**Proposed HD2**

Chair Oshiro and Members of the Committee:

ARDA-Hawaii is the local chapter of the national timeshare trade association. Hawaii's timeshare industry currently accounts for thirteen percent of the State's lodging inventory with 10,000 timeshare units. Timeshare has had consistent occupancy rates, even during the current tough economic times. In 2009, the average occupancy rate for all timeshare units in Hawaii was approximately 91%, where the average hotel occupancy room rate was slightly over 66%. This has made our industry a vital partner and a stable component of the visitor industry in Hawaii.

ARDA Hawaii would like to acknowledge that HB809, Proposed HD2 does not include the amendment to the definition of "fair market rental value" which would have resulted in a tax increase of almost 300% for timeshare owners.

While ARDA Hawaii appreciates that this provision has been deleted, we cannot support the 2% increase in the transient accommodations tax (TAT) for timeshare occupants as proposed, because we believe the premise for the application of this tax is flawed. No real property owner in the State of Hawaii or in the United States is assessed a tax for occupying the real property that they own. Timeshare owners alone have this distinction.

Timeshare owners are Hawaii property owners who have made a long-term commitment to Hawaii by owning Hawaii real estate. They and their guests are dependable, consistent, and stable visitors who bring substantial tax dollars to Hawaii and continue to come even during economic downturns. They pay a yearly maintenance fee including real property taxes, GET and other fees.

I would also like to point out that timeshare units when rented on a transient basis by non-Owners or used for marketing purposes by developers pay the exact same TAT rates as hotel units.

In 2009 timeshare owners paid over $40 million in taxes to the state through the GET and TAT. You also may be interested to know that there are over 6,000 Hawaii residents who own and use their timeshare units in Hawaii and would also be directly impacted by this bill.

As drafted, this bill will unfairly impact a very specific portion of Hawaii property owners who choose to visit our state on an annual basis and contribute to Hawaii's economy.

We believe this legislation is detrimental to timeshare owners as well as Hawaii's visitor and construction industries. Developers have plans to build more than 1,000 timeshare units in Hawaii over the next couple of years investing over half a billion dollars in the state. A tax like this will have a chilling effect on decisions to invest in the State since there will be concerns that sales will slow as maintenance fees dramatically increase. Instead of creating disincentives to spend discretionary dollars in Hawaii, let's look for ways to help and strengthen this very important segment of our visitor industry. We respectfully ask you to hold this measure.

Thank you for allowing me to present testimony on this important matter.

TIMESHARE WITH ALOHA

**Committee on Finance**
**Hearing**
**Friday, February 25, 2011, 5:00 p.m.**
**Conference Room 308**

PAHIO RESORTS

**Representative Marcus R. Oshiro, Chair**

**Testimony on HB809, HD1, Proposed HD2, Relating to Transient Accommodations Tax**

Dear Chair Oshiro and Members of the Committee:

My testimony is in OPPOSITION of HB809, HD1, Proposed HD2. My name is Lynn McCrory and I am the President of PAHIO Development, Inc. We are a locally owned and operated time share development company on the island of Kauai.

This bill increases the Transient Accommodations Tax for the timeshare owner who occupies a unit from 7.25% to 9.25% for the period July 1, 2011 to June 30, 2015. Hawaii is the only state that taxes an owner for the occupancy of their purchased unit. There is no tax on the condominium unit when an owner occupies their unit. The time share owner has paid for the bricks and mortar (the CIP), and then pays an annual maintenance fee to maintain the unit, just as a condominium unit owner does. However, the condominium owner does not pay any tax on their use of their unit/occupancy. When the unit is rented out, the guest using the unit pays the 9.25% tax that any hotel guest would pay, as it is the same principal.

It is clear that the State has serious financial issues that must be resolved. Increasing the tax on the industry that is the only tourism industry that has built resorts in Hawaii in the last five plus years, and more than likely will be the only industry building resorts in the next ten years, does not make sense. Continuing, and now proposing to increase the TAT, increases risk, and risk is one very key factor that stops the building of resorts.

I humbly ask for your consideration for OPPOSITION to HB809, HD1, Proposed HD2. Mahalo!

Me ke aloha pumehana
With warm aloha,

PAHIO DEVELOPMENT, INC.

Lynn P. McCrory

Lynn P. McCrory
President

C: PMCI

*A Vacation Ownership Company 3970 Wyllie Road, Princeville, Kauai, Hawaii 96722 Telephone 808/826/6549 Facsimile 808/826/6715*

Memories for Generations

February 24, 2011

Dear Members of the House Committee of Finance

Re: HB 809

My name is Stephen Lin, Executive Vice President and Controller of Royal Aloha Vacation Club, I am writing in opposition of HB 809 concerning the increase of Transient Accommodation Tax for timeshare visitors.

Royal Aloha Vacation Club was established in September of 1977; throughout its 33-year history as an employer in the State of Hawaii, we have seen the ups and downs of Hawaii's economy, but I am extremely proud to say that we never have to lay off a single employee. This is primary due to loyalty of our members, the timeshare visitors who come to Hawaii every year! They provided a steady income flow to the company that we could afford to keep all the employees even when the economy is bad.

I realize that the State is facing a tremendous budget crisis and we must all participate in finding a solution. It may seem to be a painless solution to just pass on the tax to the timeshare owners. I believe this is short-sighted. Granted, many timeshare owners have a special affinity to Hawaii, but that is not unconditional. Over the past few years, the cost to Hawaii timeshare owners have skyrocketed, an additional increase in occupancy tax could just be "the nail in the coffin." There are competitions everywhere for the type of visitors that timeshare owners represent, and Hawaii is the only State that charges a State occupancy tax for timeshare owners staying in their own property. The additional TAT taxes that you <u>might</u> be able to generate cannot compensate for the job losses and the lost revenue to many businesses that rely on the steady income provided by timeshare owners year after year.

I sincerely ask you to look at big picture and do not kill "the goose that laid the golden eggs." Please vote against HB 809 for a sustainable timeshare industry that will continue to fuel Hawaii's economy for years to come!

Aloha & Mahalo,
Stephen Lin
Executive Vice President

1505 DILLINGHAM BOULEVARD • DILLINGHAM SHOPPING PLAZA • SUITE 212 • HONOLULU, HAWAI'I 96817
WEBSITE: www.ravc.com • TEL: 808-847-8050 • FAX: 808-841-5467 • E-MAIL: info@ravc.com
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AULANI

Disney

February 24, 2011

**TO:** House Finance Committee
Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair

**FROM:** Todd Apo
Director, Disney Vacation Club - Hawai`i

**DATE:** Friday, February 25, 2011 – 5:00pm
Conference Room 308

**RE:** **HB 809 (HB 809 HD1 /HB809 HD2) RELATINGTO THE TRANSIENT ACCOMMODATIONS TAX**

Chair Oshiro, Vice Chair Lee and Members of the Committee:

I am the Director of Public Affairs for Disney Vacation Club in Hawaii. Disney Vacation Club is the vacation ownership business unit of The Walt Disney Company. Disney Vacation Club currently operates 10 vacation ownership resorts in Florida, South Carolina and California; and, as you probably know, we are currently developing our newest vacation ownership resort right here in Hawai`i – Aulani, *Disney Vacation Club®* Villas, Ko Olina, Hawai`i.

Hawaii's timeshare industry currently accounts for thirteen percent of the State's lodging inventory with 10,000 timeshare units (460 of which will be located at Aulani). Timeshare has maintained consistent occupancy rates, even during the current tough economic times. In 2009, timeshare occupancy averaged approximately 91%, almost 25% higher than hotels. This has made the timeshare industry a vital partner and a stable component of the tourism industry in Hawai`i.

Our Aulani resort is a perfect example of the importance of the timeshare industry to Hawai`i. According to a recent economic impact study we commissioned, our Aulani resort will have a significant impact on the Hawai`i economy. Construction will generate $634 million in economic activity (including direct spending on goods and services, as well as jobs and corresponding indirect and induced impacts on the local and regional economies); $59 million in one-time tax revenues for Honolulu County and the State of Hawai`i; and 4,800 construction and construction related jobs. In addition, when our Aulani resort opens this autumn, it is expected to generate more than $271 million per year for the local economy, $33 million in annual tax revenues for Honolulu County and the State of Hawai`i and about 2,400 direct and indirect jobs. This significant investment by Disney in the State of Hawai`i was recently recognized by District Council 50 of the International Union of Painters and Allied Trades, or IUPAT, AFL-CIO, CLC, stating on the District Council's website (http://www.dc50.org/dc-50-news/2011/01/thank-goodness-for-disney/): *"A huge "Mahalo" to Disney for its foresight, belief and global ingenuity by creating a first class resort in Hawaii. Because of the Aulani resort, many of our signatory contractors . . . continue to work during this down economy! Again, thank goodness for Disney!"* Carl Bonham, Executive Director of the University of Hawai`i Economic Research Organization and Associate Professor of Economics at the University of Hawai`i at Mānoa, called Aulani *"a bright spot"* explaining that Hawai`i is *"already experiencing benefits from the creation of new construction jobs"* and that the completed resort *"will be* *an important addition to the O`ahu visitor industry.*" In addition, we recently hosted a very successful and well received job fair for 800 (of the eventual 1,200) job openings at the Resort. Disney has made a huge commitment to the vitality and longevity of the tourism industry and, specifically, the timeshare industry, in Hawai`i.

Disney Vacation Club opposes HB 809. HB 809 HD 2 would increase the transient accommodations tax (TAT) rate for timeshare units from 7.25% to 9.25% from July 1, 2010, to June 30, 2015. HB 809 HD1 would increase the TAT by an amount that is yet to be determined. The effect of HD 2 would be a 27% increase in the TAT payable by timeshare owners. HD 1 could result in an even greater increase.

Hawai`i is the only state to assess TAT on timeshare owners, already putting Hawai`i at a competitive disadvantage. This increase to that tax will have a significant chilling effect on new timeshare projects in Hawai`i, the result of which could be the loss of future economic impacts (and future tax revenues) similar to the economic boost and tax revenues to be generated from our Aulani resort.

Timeshare owners in Hawai`i have made a long-term commitment to Hawai`i by purchasing and owning real property in Hawai`i. These owners and their guests are dependable, consistent, and stable visitors who bring substantial tax dollars to Hawai`i and continue to come even during economic downturns. They pay a yearly maintenance fee including real property taxes, GET and other fees. No other owner of real property in Hawai`i is required to pay an occupancy tax to stay in real property that they already own.

In addition, because their accommodations are already paid for, timeshare owners typically spend more dollars during their vacation than other tourists. However, their vacation dollars are limited like all other tourists. If they have to pay more in TAT tax during their visit, they will inevitably reduce their spending in Hawai`i on other things like restaurants, recreation, and souvenirs. This extreme increase in TAT tax will have the unintended consequence of reducing the dollars per person spent in Hawai`i by timeshare owners.

In 2009 timeshare owners paid over $40 million in taxes to the state through the GET and TAT. In addition to paying the TAT when an owner occupies his unit, the full TAT is paid when the unit is rented out.

It is incorrect to assume that timeshare owners are not paying their fair share of taxes as compared to hotel rooms. According to a recent analysis commissioned by the American Resort Development Association and prepared by Hospitality Advisors LLC, the statewide average total annual tax (GET, property, TAT and TOT) paid per timeshare unit is $9,920; 17% more than the statewide average total annual tax paid per hotel room: $8,500.

As drafted, this bill will unfairly impact a very specific portion of Hawai`i property owners who choose to visit Hawai`i on a regular basis and contribute significantly to Hawai`i's economy.

We believe this legislation is detrimental to timeshare owners as well as Hawai`i's tourism industry, which will only exacerbate the existing disincentive to invest in and visit Hawai`i. We respectfully ask you to hold this measure.

Thank you for allowing me to present testimony on this important matter.

Sincerely,

Todd Apo
Director, Disney Vacation Club – Hawai`i

RCI®

Rita Coviello
Vice President, Legal

rita.coviello@rci.com

February 24, 2011

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

Re: **HB 809 Relating to the Transient Accommodations Tax Proposed HD2**

Chair Oshiro and Members of the Committee:

On behalf of RCI, LLC ("RCI") and our thousands of RCI subscribing members that own timeshare in Hawaii, including those that also reside in Hawaii, I write in opposition to House Bill 809 which proposes to increase the transient accommodations tax ("TAT") on timeshare units.

For more than 35 years, RCI has been at the forefront of the timeshare industry, transforming the vacation experience for resort developers and owners alike. As the world's largest vacation exchange company, our network includes more than 4,000 affiliated resorts worldwide many of which are located in your beautiful state.

The proposed TAT increase would be detrimental to the many Hawaii timeshare owners some of who are RCI's members, including of course, the many who are residents of Hawaii, because they are already paying their fair share of fees and property taxes on their ownership interests. Any increase in the TAT would only serve to make that burden heavier. The unintended consequence would that timeshare travelers will be less inclined to visit Hawaii, instead opting for a place where such a tax is not imposed at all and thus less tourism revenue would come into Hawaii.

In sum, RCI and its many members who own in Hawaii, strongly oppose the imposition of the overly burdensome and unfair increase in TAT being proposed.

Thank you.

Respectfully Yours,

Rita Coviello

7 Sylvan Way • Parsippany, NJ 07054 USA • o: +1.973.753.6338 • f: +1.973.753.6207
A Wyndham Worldwide Company

**STARWOOD**

9002 San Marco Court
Orlando, Florida 32819
(407) 418-7271

February 25, 2011

TO: Honorable Marcus Oshiro, Chair
Honorable Marilyn Lee, Vice Chair
House Committee on Finance

FR: Robin Suarez, Vice President/Associate General Counsel, Starwood Vacation Ownership

RE: HB 809 HD1 -- Relating to the Transient Accommodations Tax – OPPOSE
Finance Committee, Conference Room 308 – 5 PM

Aloha Chair Oshiro, Vice Chair Lee and Members of the Committee:

My name is Robin Suarez, Vice President & Associate General Counsel for Starwood Vacation Ownership, ("SVO"). I am testifying on behalf of SVO in opposition to HB 809, Relating to the Transient Accommodations Tax ("TAT") and to the Proposed HD2.

This bill increases the rate of the transient accommodations tax beginning on July 1, 2011, to June 30, 2015 by two percent.

One might assume these are small changes that have an incremental affect on timeshare owners. But they are not. Timeshare owners are unique from the average hotel guest. The average timeshare owner stays longer and returns year after year. Owning a timeshare is like owning a condo where the owner must pay real estate taxes and maintenance and management fees. In addition they pay conveyance taxes and general excise taxes.

Timeshare resorts experience high and consistent rates of occupancy and customer satisfaction. In addition to providing traditional resort operations jobs similar to hotel projects, timeshare resorts add high skilled and high compensated sales and marketing jobs. As such, timeshare resorts represent a valuable and diverse component of Hawai`i's important tourism market.

In this difficult economic recovery period, timeshare owners should not be penalized by increased tax burdens. This bill makes travel to Hawai`i more expensive at a time when the state should be encouraging more travel. With destination resort markets competing worldwide, owners have a choice and will move where the market is less burdensome.

For these reasons, we respectfully request you to defer action on this bill.

# The Westin Ka'anapali Ocean Resort

6 Kai Ala Drive, Lahaina, Maui, Hawaii

February 25, 2011

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

Friday, February 25, 2011 – 5:00 p.m.; **Agenda #7**
State Capitol, Conference Room 308

**RE: HB 809 HD1 – RELATING TO THE TRANSIENT ACCOMMODATIONS TAX-OPPOSE**

Chair Oshiro and Members of the Committee,

My name is Vic Henry and I serve as Vice President of the Ocean Resort Villas Vacation Owners Association located on Maui. I am here representing over 14,000 owners at the Westin Ka'anapali Ocean Resort. Our owners include a substantial number of Hawaii residents. All of our owners, regardless of their State or Country of residence, have paid a significant purchase price to own their interest in a Hawaii unit and pay large yearly maintenance fees.

By paying for our timeshare interest, we have fueled construction which has created good jobs for Hawaii residents. Our resort, along with our sister resort on Maui, will pay $30 million dollars over the next four years on renovations and maintenance. These funds go directly to support local businesses.

I have traveled to Hawaii today to express my opposition to HB 809 HD1 and to any increase in the transient accommodation tax (TAT) imposed on timeshare owners. No other state in the United States charges a transient use type tax on an owner's use of the timeshare week.

You would never think to impose TAT on a person's use of their own condominium unit. It is equally unreasonable to impose TAT on owners who own a condominium unit together as timeshare. We are not here today to discuss the unfairness of paying TAT on the use of our property over the past years. Increasing the amount of the TAT, however, adds insult to injury.

Contrary to what you may have heard, timeshare owners pay more than our fair share of taxes in Hawaii. You may have seen a summary provided by ARDA which makes this point. At my resort, we pay about $6,000 dollars more per key than a comparable hotel property on Maui. On Maui, timeshare owners pay a higher millage rate on our property taxes; we pay GET and our units which are rented pay the full TAT on the amount of rental. Since our units are larger, they have higher daily rental rates and, as a result, pay more in TAT. As I am sure you have heard, timeshare resorts have high occupancy rates.

Timeshare is a terrific part of Hawaii's travel industry and is meeting the emerging demand for larger family style accommodations. It allows owners like me to travel to this beautiful place every year and to bring many friends and family members. We are a great complement to hotels. Our resort employs many local residents.

It appears to us, as property owners in the State of Hawaii, that Hawaii timeshare owners are being singled out for disproportionately high taxes. I cannot think of any other group that is taxed heavily for owning property and also taxed heavily as a user of the same property. In our view, this is short sighted and not good for Hawaii's economy or its tourism industry.

I urge you to vote against this bill and any increased taxes against timeshare owners. Thank you very much for the opportunity to be heard.

:

January 31, 2011

**TO:** House Committee on Finance
Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair

**FROM:** Henry Perez
General Manager
Hilton Grand Vacations Company

**DATE: Friday,** February 25, 2011
Conference Room 308
5:00 p.m.

**RE: HB 809 RELATING TO TIMESHARES**

Chair Oshiro and Members of the Committee:

Hilton Grand Vacations strongly opposes HB 809. HB 809 increases the base TAT from 7.25 to 9.25 resulting in a nearly 30% increase in the TAT. Our owners currently pay real estate tax like any other owner in Hawaii. Hilton Grand Vacations has several thousand owners that own timeshare in Hawaii and also live in Hawaii. The law will tax these owners to use there second home which is not fair. The maintenance fees that are collected from these units stay right here in Hawaii. These fees are used to pay for the labor to maintain these units in perfect condition. Timeshare also renovate there property every 5 to 7 years which continues to produce construction jobs in Hawaii.

Timeshare owners are Hawaii property owners who have made a long-term commitment to Hawaii by owning Hawaii real estate. They and their guests are dependable, consistent, and stable visitors who bring substantial tax dollars to Hawaii and continue to come even during economic downturns.

I believe this legislation is detrimental to timeshare owners as well as Hawaii's visitor and construction industries. Developers have plans to build more timeshare units in Hawaii, but a tax like this will have a chilling effect on decisions to invest in the State since there will be concerns that sales will slow as maintenance fees dramatically increase. Instead of creating disincentives to spend discretionary dollars in Hawaii, let's look for ways to help and strengthen this very important segment of our visitor industry. I respectfully ask you to hold this measure.

Thank you for allowing me to present testimony on this important matter

GOODSILL ANDERSON QUINN & STIFEL
A LIMITED LIABILITY LAW PARTNERSHIP LLP

GOVERNMENT RELATIONS TEAM:
GARY M. SLOVIN
ANNE T. HORIUCHI
MIHOKO E. ITO
CHRISTINA ZAHARA NOH
CHRISTINE OGAWA KARAMATSU

ALII PLACE, SUITE 1800 • 1099 ALAKEA STREET
HONOLULU, HAWAII 96813

MAIL ADDRESS: P.O. BOX 3196
HONOLULU, HAWAII 96801

TELEPHONE (808) 547-5600 • FAX (808) 547-5880
info@goodsill.com • www.goodsill.com

INTERNET:
gslovin@goodsill.com
ahoriuchi @goodsill.com
meito@goodsill.com
cnoh@goodsill.com
ckaramatsu@goodsill.com

# MEMORANDUM

**TO:** Representative Marcus Oshiro
Chair, Committee on Finance
Hawaii State Capitol, Room 306

*VIA FACSIMILE: 586-6001*

**FROM:** Mihoko E. Ito

**DATE:** February 24, 2011

**RE:** **H.B. 809, Proposed H.D. 2 – Relating to the Transient Accommodations Tax**
**Hearing: Friday, February 25, 2011 at 5:00 p.m., Room 308**

---

Dear Chair Oshiro and Members of the Committee on Finance:

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 **opposes** H.B. 809, proposed H.D. 2, which temporarily increases from 07/01/2011 to 06/30/2015 the transient accommodations tax rate on time share units.

The stated purpose of this measure is as follows: "The rate on resort time share vacation units is increased to the same rate as that applicable to transient accommodations units. The legislature finds that this increase achieves fairness in the application of the transient accommodations tax." However, a recent analysis done by Hospitality Advisors for the American Resort Development Association shows that overall, resort time share owners already pay more taxes per unit than a hotel. An increase in the rate would only further exacerbate the discrepancy.

While a 2% increase seems small, it actually amounts to a 27% increase to what a timeshare owner already pays on his week.

While we appreciate that the state is facing budget difficulties, we respectfully submit that increasing the transient accommodations tax on timeshares is an ill-advised solution. Timeshares 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 owners own a real property interest, and are already paying property taxes in addition to maintenance fees. Furthermore, many timeshare owners are also Hawaii residents who are already paying other taxes and fees.

In short, timeshare owners already bring substantial tax dollars to Hawaii. Increasing the price of owning a timeshare in Hawaii may ultimately contribute to a visitor decline. If taxes on timeshare owners continue to rise, 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.

Finally, we note that there may be issues regarding the overall legality of imposing the transient accommodations tax upon timeshare owners, based upon the maintenance fees they pay.

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

## SCHEDULE A
### Comparison of Hotel and Timeshare Estimated 2009 Taxes Paid per Unit

| | Taxes Paid per Unit[i] | | | |
|---|---|---|---|---|
| **State of Hawai'i** | **Hotels** | **Timeshare[ii]** | **$ Difference** | **% Difference** |
| General Excise Tax[iii] | $2,000 | $2,350 | $350 | 18% |
| Real Property Tax[iv] | $2,570 | $5,480 | $2,910 | 113% |
| Transient Accommodation Tax[v] | $3,930 | $740 | -$3,190 | -81% |
| Transient Occupancy Tax[vi] | *Not applicable* | $1,350 | *Not applicable* | *Not applicable* |
| TOTAL | $8,500 | $9,920 | $1,420 | 17% |

| | Taxes Paid per Unit[i] | | | |
|---|---|---|---|---|
| **Maui** | **Hotels** | **Timeshare[ii]** | **$ Difference** | **% Difference** |
| General Excise Tax[iii] | $2,340 | $2,560 | $220 | 9% |
| Real Property Tax[iv] | $2,950 | $8,420 | $5,470 | 185% |
| Transient Accommodation Tax[v] | $4,910 | $650 | -$4,260 | -87% |
| Transient Occupancy Tax[vi] | *Not applicable* | $1,530 | *Not applicable* | *Not applicable* |
| TOTAL | $10,200 | $13,160 | $2,960 | 29% |

| | Taxes Paid per Unit[i] | | | |
|---|---|---|---|---|
| **O'ahu** | **Hotels** | **Timeshare[ii]** | **$ Difference** | **% Difference** |
| General Excise Tax[iii] | $2,010 | $2,620 | $610 | 30% |
| Real Property Tax[iv] | $2,680 | $4,780 | $2,100 | 78% |
| Transient Accommodation Tax[v] | $3,730 | $1,180 | -$2,550 | -68% |
| Transient Occupancy Tax[vi] | *Not applicable* | $1,140 | *Not applicable* | *Not applicable* |
| TOTAL | $8,430 | $9,710 | $1,280 | 15% |

| | Taxes Paid per Unit[i] | | | |
|---|---|---|---|---|
| **Kaua'i** | **Hotels** | **Timeshare[ii]** | **$ Difference** | **% Difference** |
| General Excise Tax[iii] | $1,660 | $2,140 | $480 | 29% |
| Real Property Tax[iv] | $2,010 | $4,030 | $2,020 | 100% |
| Transient Accommodation Tax[v] | $3,480 | $480 | -$3,000 | -86% |
| Transient Occupancy Tax[vi] | *Not applicable* | $1,460 | *Not applicable* | *Not applicable* |
| TOTAL | $7,160 | $8,110 | $950 | 13% |

| | Taxes Paid per Unit[i] | | | |
|---|---|---|---|---|
| **Big Island** | **Hotels** | **Timeshare[ii]** | **$ Difference** | **% Difference** |
| General Excise Tax[iii] | $1,570 | $1,860 | $290 | 18% |
| Real Property Tax[iv] | $1,950 | $2,440 | $490 | 25% |
| Transient Accommodation Tax[v] | $3,310 | $750 | -$2,560 | -77% |
| Transient Occupancy Tax[vi] | *Not applicable* | $1,100 | *Not applicable* | *Not applicable* |
| TOTAL | $6,830 | $6,150 | -$680 | -10% |

*Source: Hospitality Advisors LLC, Smith Travel Research, survey respondents*

[i] Rounded to the nearest ten dollars ($10).
[ii] Data for timeshare units were based on a survey of the Hawai'i Timeshare industry, representing a sample size of 91.6 percent of the timeshare units in the State. Based on the data provided by participants, a weighted estimation model was used to estimate the taxes paid by the non-respondent properties. We note that information provided to us was not audited nor verified and is assumed to be correct for the purposes of this engagement.
[iii] General excise taxes for hotels are based on 2010 transient accommodation room revenues and do not include revenues for food & beverage, retail, or any other hotel revenue. General excise taxes for timeshares are based on 2009 maintenance fees and 2009 transient accommodation revenues for room nights used as hotel.
[iv] Real property taxes for hotels represent 2009 HOST data from Smith Travel Research. Real property taxes for timeshare are based on 2009 taxes paid by the timeshare industry
[v] Transient accommodation taxes for hotels are based on 2010 room revenues. Transient accommodation taxes for timeshares are based on 2009 transient accommodation revenues for room nights used as hotel.
[vi] Transient occupancy taxes for timeshare are based on the fair market rental value for 2009 room nights used for occupancy by timeshare owners and exchangers.

Written Testimony Presented to the
House Committee on Finance
February 25, 2011
by
Mark E. Watford
President
Ka'anapali Ocean Resort Villas Owners Association
6 Kai Ala Drive, Lahaina, Hawaii 96761

HB809_HD1 and HB809_HD2 RELATING TO THE TRANSIENT ACCOMMODATIONS TAX

Aloha Chair Oshiro, Vice Chair Lee and Members of the Committee,

As President of the Ka'anapali Ocean Resort Villas Owners Association (KORV), I appreciate this opportunity to offer testimony in opposition to HB 809, Relating to the Transient Accommodations Tax (TAT). I am testifying on behalf of the owners at KORV and their families.

The proposed increase from 7.25% to 9.25% represent a significant impact (27.6% increase) on our owners, in addition to the other taxes and fees that are a part of owning timeshare property in Hawaii. Timeshare owners are significantly different than hotel guests that visit the State. KORV owners are truly owners in the Aloha that is Hawaii. They pay real estate taxes, general excise taxes, maintenance fees and management fees. Our owners' maintenance fees support a large number of highly qualified, highly motivated staff members that provide quality service to every owner and guest at KORV.

As KORV is a timeshare property, our owners are committed to staying longer periods than typical hotel guests and to returning year after year. Our owners are being challenged by the same difficult economic times that are affecting the entire country. In this depressed economy, an increase in the TAT percentages required to be paid by timeshare owners represents an inequitable tax burden.

For the reasons outlined above, we respectfully request that you defer action on this bill.

Dan & Alice Arterburn

Princeville, Hawaii

&

311 Rembrandt Drive

Old Hickory, Tennessee 37138

My wife and I purchased a timeshare in the Princeville Westin Resort on Kauai a few years ago and have truly enjoyed being Hawaii residents. Our reasons for purchasing this particular timeshare was for the privilege to own real property in Hawaii that we can visit on an annual basis. We first began traveling to Hawaii due to the invitation of our friends that have come there each year for over 35 years. My wife and I have traveled there for the past 20 years…first Maui…and now our choice location of Kauai.

Our decision to purchase the timeshare at the Westin was because of the fact it is a real property purchase rather than how many timeshares are designed and structured. We have just returned from a 2 weeks stay just 2 days ago and we hope that we can continue to maintain our ownership in Hawaii in the future and into our retirement years. We find our stay to be so refreshing for us.

One of the items in our annual maintenance fee each year that is disturbing is the TAT assessment that is accessed to timeshare owners. As I've researched this, it appears that the only real property owners in Hawaii that are assessed this TAT is timeshare owners. Based on what I have figured, these bills that I referenced will increase my TAT assessment by close to 400%. In these economic times, we are doing all we can do just to pay for our timeshare, maintenance fees, and our trip to Hawaii. As I reviewed my expenses this time to Hawaii, I spent about $3,000 in just 2 weeks in your state at an absolute minimum just in the things we purchase that provides Hawaii with several dollars in sales tax receipts just from my family alone.

I just wanted to share with you my feelings at these bills and want to go on record that we strongly oppose this tax and do oppose HBs 809, 1163, 1092 and SB 1319. We are not a wealthy family and our jobs have not had salary increases for the past 3 years, so if our expenses increase with our property ownership, then we will either have to work on selling our timeshare, limit our trips to Hawaii, or just limit our expenditures in your state while there. As a local timeshare owner, I believe we not only support our local communities, but also contribute to the sustainability of our visitor industry. I have recently encouraged others that I know to look into timeshare ownership in my community, but if this passes, I can no longer recommend Hawaii as a location. Condo and other property owners are not being affected by this TAT. If you are going to assess one group of real property owners, why not assess all groups.

I ask that you oppose these taxes and any future bills that will impact timeshare owners.

Respectfully,

Dan and Alice Arterburn

Princeville, Hawaii

Old Hickory, Tennessee

Jeffrey S. Kasper, D.D.
1063 Todos Santos Station • Concord, CA 94522-1063
925-695-7772 • 808-791-3234

February 24, 2011

**Testimony Against HB 809**

**Testimony Against HB 1092**

Honorable Representatives,

My wife and I are timeshare owners, and strongly object to HBs 809 and 1092 both of which significantly increase my TAT taxes. I have been coming to Hawaii for the past 15 years and consider Hawai'i our second home. We attend Rotary Club meetings, contribute to the Maui community when we're there and on the Mainland. To be faced with an almost 300% increase, in one fell swoop is a big concern.

As returning visitors, who have contributed a lot to the local economy over the years, we oppose this tax increase. I could have chosen to purchase my timeshare elsewhere but chose Hawaii because I love the sense of aloha, the beautiful scenery, and people, and now I feel am being singled out with this significant tax increase. Nowhere else in the United States would I be facing this situation, since nowhere else is such a tax imposed for occupying a unit I already paid for and own. Although reluctantly, we may find it necessary to spend our time, and money, in another area or country.

I ask you aggressively oppose these bills.

Mahalo,

Jeffrey S. Kasper

Jeffrey S. Kasper, D.D.

February 24, 2011

**TO:** Finance Committee
Representative Marcus Oshiro, Chair
Representative Marilyn Lee, Vice Chair

**FROM:** Mitchell A. Imanaka

**DATE:** Friday, February 25, 2011
Conference Room 308
5:00 p.m.

**RE:** **HB 809 HD2, Relating to Transient Accommodations Tax**

Chair Oshiro, Vice Chair Lee and Members of the Committee:

I strongly oppose HB 809 HD2, which increases the rate of the transient accommodations tax beginning on July 1, 2011 from 7.25% to 9.25% of the fair market value. Earlier this Legislative Session, we submitted testimony in opposition to HB 809 and HB 1163 which proposed to increase the transient accommodations tax through an increase of the transient accommodations tax and an increase in the base maintenance fee calculation to determine the fair market value. Increasing the transient accommodations tax in Hawaii will cripple the *secure economic base* that the Hawaii timeshare industry has developed in Hawaii.

Timeshares already pay more than their fair share in taxes, generating over **$87.3 million in taxes.**[1]

| Tax | Tax Revenue |
|---|---|
| Real Property Tax | $47,100,000 |
| Conveyance Tax | $400,000 |
| General Excise Tax | $20,400,000 |
| Transient Accommodations Tax (timeshare) | $12,200,000 |
| Transient Accommodations Tax (transient) | $7,300,000 |
| **Total Tax Revenue** | **$87,300,000** |

Timeshare developers continue to energize the economy, with capital expenditures by timeshare developers, including new construction, totaling **$138.7 million in 2009**, and an additional **$64.3 million was anticipated in 2010.**[2]

Also, there are more timeshare projects on the horizon, with an **anticipated 1,190 new timeshare units to be developed,**[3] and it is anticipated that the construction budgets for

1 State of Hawaii Timeshare Industry 2009 Supplemental Report prepared by Hospitality Advisors LLC dated January 4, 2011 (2009 Supplemental Timeshare Industry Analysis").

2 Analysis of the State of Hawaii Timeshare Industry prepared by Hospitality Advisors LLC dated August 13, 2010 ("2009 Timeshare Industry Analysis").

3 Hospitality Advisors LLC and Belt Collins Hawaii, Ltd.

new timeshare units, and renovation and capital expenditures for existing timeshare units will total approximately **$641.5 million in 2011.**[4] Further, it is anticipated that the new timeshare operations will pay approximately **$24.6 million to the State in taxes.**

The economic impact of the new timeshare developments and renovation to existing projects will also **create an additional 1,250 jobs** in the State,[5] in addition to the estimated **4,459 employees** that the timeshare industry employed in 2009, including 3,980 full time employees with a **total payroll of $293.4 million.**[6] Further, the new timeshare projects and renovation projects will create approximately **5,700 construction-related jobs in the State**, with construction-related **wages totaling approximately $300 million.**[7] All of the positive economic impacts of the development of additional timeshare projects may be jeopardized with the proposed increase in the transient accommodations tax.

As evidenced by the foregoing, the Hawaii timeshare industry has proven to be a vital industry to our State's economy, and currently show signs of growth. This industry should be *supported* and *nurtured* so that it can continue to grow and *support the future economic growth of the State of Hawaii, and avoid budget shortfalls in the future.* An increase in the transient accommodations tax would jeopardize this growing and vital industry. As such, we respectfully ask that you hold this measure. Thank you.

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4 Hospitality Advisors LLC.

5 Hospitality Advisors LLC and Belt Collins Hawaii, Ltd. Note: Composite sales and tax estimates reflect only those properties that provided timeshare sales data. Therefore the estimates provided in this schedule do not reflect the full impact from all pipeline developments to be completed during 2011 to 2013.

6 2009 Supplemental Timeshare Industry Analysis.

7 Hospitality Advisors LLC and Belt Collins Hawaii, Ltd. Note: Composite sales and tax estimates reflect only those properties that provided timeshare sales data. Therefore the estimates provided in this schedule do not reflect the full impact from all pipeline developments to be completed during 2011 to 2013.

HB809

02-25-2011

Subject: Transient Accomodation Tax--HD2

I am a Hawaii resident, Timeshare owner and on the Board of Directors of the Maui Ocean Club. The attached article from the financial section of the ***Honolulu Star-Advertiser*** sums up the plight of Timeshare owners.

Timeshare in Hawaii are a vital part of our economy. Owners (I pay property tax and GET on property maintenance) are not hotel guests, but rather folks who chip in to buy an apartment to share because we could not afford to buy an apartment outright. Rising energy prices, cost of property maintenance, etc. have doubled my maintenance costs in 8 years. The recent price of oil will not only increase the 2012 maintenance fee, but increase the cost for Mainland families to travel to Hawaii.

Owners are bailing out. As a Board member, I am well aware of the impact an increase in maintenance fees has. Due to the economy, foreclosures and non-payment of maintenance fees are on the rise, thereby increasing the maintenance fees for those who remain owners and who then wish to join the exodus.

How can the State gain when "fair market value" goes down and the Mainland owners bail out in order to vacation closer to their homes? Ultimately, some Timeshare properties will be forced into closing as remaining owners will simply give up. Timeshares are currently in a precarious position. Don't contribute to its demise.

Thank you for your attention.

Sincerely,

Arnold Drill

1 ATCH: NEWS ARTICLE

HONOLULU STAR-ADVERTISER >> SUNDAY 2/20/11

**AL'S EMPORIUM** | *By Al Lewis*

# Dumping Timeshares

The term "timeshare" long brought to mind rip-offs, high-pressure sales tactics and a lifetime shackled to rising maintenance fees.

When Marriott International got into the business in the early 1980s, timeshare became less of a bad word. Marriott, with Walt Disney, Hyatt, Wyndham and others, established credibility and glitzier resorts.

Now Marriott wants out.

Last week, the hotel chain announced it would spin off its timeshare business. It's giving shareholders stock in a unit with $1.5 billion in unsold inventory and 400,000 owners to service.

The spinoff company will license Marriott's name and drift into an unknown future.

The recession has ravaged the timeshare market. Marriott's timeshare revenues are down 30% since 2007. And Marriott's plans are a sign the recovery isn't producing any more free-spending buyers.

The dirty secret of the timeshare industry is that anybody who buys one from a developer has simply been the victim of an aggressive sales seminar. Go online and find thousands of timeshare owners trying to sell their timeshares for a fraction of what they paid—many priced at $1.

These buyers placed a bet that they would be able to take a vacation every year for the rest of their lives.

They didn't expect a recession, unemployment, illness, divorce or any other calamity. They didn't foresee gasoline and airfare prices spiking so high that they couldn't reasonably get to their dream destinations. Now they're stuck paying rising fees.

Brian Rogers runs the Timeshare Users Group, a website that's been helping timeshare owners with such issues for 17 years. It's one of the many places you can buy or rent a used timeshare—cheap. "Delinquencies are up across the board," he says.

Timeshare owners have increasingly stopped paying their annual maintenance fees, Mr. Rogers says. This forces resorts to hike fees on the owners who still pay.

"It's a vicious Catch-22," he says. "Eventually, it could reach a head where you have maintenance fees so high that nobody is going to want to pay them."

Allan Cohen of Potomac, Md., served as president of his Marriott-timeshare ownership group in Aruba. He has pushed for more transparency regarding maintenance expenses, he has proposed designating an ombudsman for owner complaints, and he has asked for a list of owners to organize—only to be rebuffed.

"We all bought because of the Marriott name," says Mr. Cohen, who still owns his timeshare. "They have a division that has lost its way. And it's got to come back.

"I hear from people all the time, 'How can I sell? There are so many hundreds that want to sell,' " Mr. Cohen says. "At a great loss, they can."

These days, there's a high-pressure timeshare seminar that's about selling timeshares, says Mr. Rogers. It's much like ones to buy—only in reverse.

"For an hour, you'll sit there and they'll tell you how lousy timeshares are, and how you'll never be able to sell it, and how your children will be burdened with it for the rest of their lives," he says. "And they'll pitch you to give them your timeshare and $3,000." Just to get rid of it.

Little wonder Marriott wants out.

Al Lewis is a columnist for Dow Jones Newswires in Denver. He blogs at tellittoal.com; his email address is al.lewis@dowjones.com

Atch 1

Dear Finance Committee,

This is my email testimony to oppose HB 809 and HB 1092. My name is Glen Haendel. My wife, Linda, and I have been a timeshare owner going on eight (8) years at the Westin Kaanapoli Ocean Resort Villas, Maui. Not outside of the United States but in support of the United States by spending our money in your State.

Buying a Westin timeshare has afforded us many options that include travelling outside of the United States. But during our near 8 year ownership we have NOT travelled outside of the United States because we have enjoyed coming to Maui EVERY year for two weeks. If fact, we were married in Maui. We have brought our children and their spouses and one day hope to leave this ownership in their hands to enjoy the great island of Maui, Hawaii as we have.

Even though our Association has been in a two-year-long dispute with the County of Maui over property taxes we have travelled to Maui. The Hawaii State Legislature is now considering four bills (two of which have been proposed by the Governor) that would increase the state transient accommodations tax (TAT) that I would have to pay by 2%, from 7.25% to 9.25%. The bills also change the fair market value calculation of the TAT. Currently the fair market value is 50% of the annual assessments and under the proposed bills it would increase to 150%. If these bills pass, they will lead to an approximate 300% increase in TAT on our villa use. Here's an example of the impact these bills would have on the TAT paid for the use of our villa: The bills under consideration on February 25, 2011 are HB 809, and HB 1092.

I am disturbed as a taxpayer that the County of Maui, Hawaii is attempting to go after timeshare owners to offset their budget by passing these bills. We already pay to stay in our real property that we have already paid for! No other owner of real property is subjected to pay an occupancy tax to occupy the real property they already own. Not to mention that we contribute to the economy by coming back to our property each year which in turn contributes to the sustainability of visitor industry. I am afraid that the real property my wife and I purchased 8 years ago will not go to our children. If these bills pass, we would most likely pull out of the timeshare! No other state in the Unites States assesses such a tax on timeshare owners.

We strongly oppose these bills and any increase to them and ask you hold any bills, which propose to increase any tax on timeshare owners. Don't make us pay more to stay in our own real estate! Just say NO!

Thank-you and Sincerely,

Glen Haendel

Aloha, my name is William J Harrison and I strongly oppose HBs 809, 1163, 1092 and SB 1319 which would significantly increase the transient accommodations tax (TAT) for timeshare owners in Hawaii. Supposedly, these bills propose to bring the taxation of timeshare units in line with all other transient accommodation rentals. Therein lies the problem, my timeshare when rented out is already accessed the full 9.25% TAT rate. How eve r, when I occupy the unit--for which I already pay real property taxes, GET and other management and maintenance fees--I am still assessed an occupancy tax. Only in Hawaii and nowhere else. Now the legislature and Governor are proposing to significantly increase this tax! I am requesting that before you vote on this issue you take all the facts into consideration:

FACT: Hawaii timeshare owners already pay higher maintenance fees and taxes than for timeshares on the mainland.

FACT: Hawaii timeshare owners are loyal, stable and dependable visitors.

FACT: Hawaii timeshare owners contribute significantly to the communities in which they stay and in turn to the State's economy.

FACT: Hawaii timeshare owners are already required to pay to stay in their real property which they already paid for.

FACT: Hawaii timeshare owners unlike most hotel guests keep on returning year after year eve n when times are bad.

I would think that Hawaii's timeshare owner is the kind of visitor that you would want to support and encourage, not tax! Please vote NO on these bills!

Thank you,

William J Harrison

*Members on Committee on Finance* *February 24, 2011*
*The State of Hawaii*

*Dear Finance Committee members,*

My wife, Elizabeth, and I are timeshare owners, having properties at The Westin Ka'anapali Ocean Resort Villas in Maui and The Westin Princeville Ocean Resort Villas in Kauai, Hawaii.

We strongly object to HBs 809, 1163, 1092 and SB 1319, all of which significantly increase our TAT taxes. We have been coming to Hawaii since 1986 and consider Hawaii one of the best places for our family vacation. We are loyal and caring visitors to these islands and strongly feel part of this community. To be faced with an almost 300% in one fell swoop is both disturbing and alarming.

As returning visitors, who have contributed a lot to the local economy over the years, we question the purpose and intent of this tax and its increase. We could have chosen to purchase our timeshare elsewhere but chose Hawaii because we love the sense of aloha; the beautiful scenery, and people, and now we feel being singled out with this significant tax increase.

As owners of two properties on these beautiful islands, we are looking forward to coming back again and again. Please be reasonable and fair to your loyal owners and visitors. With the proposed tax increase, if passed, we will have to sell our properties and look for alternative places for our family vacations.

I ask you not to support these bills. Please help! Let us continue making positive impact on Hawaii economy.
Your kind attention is greatly appreciated.

Sincerely,

Jing G. Yen
1812 Lakemont Ct.
Arlington, Tx. 76013

Jgeyen2@sbcglobal.net

To Whom it May Concern,

I am a timeshare owner, and I strongly object to HBs 809 and 1092, both of which significantly increase my TAT taxes. I have been coming to Hawaii for the past 6 years and consider Hawaii my second home. I am a loyal and caring visitor to these islands and strongly feel the people who live there have made us a part of their community. To impose a huge tax in one fell swoop is both disturbing and alarming.

As a returning visitor, who has contributed a lot to the local economy over the years, I question the purpose and intent of this tax and its increase. I could have chosen to purchase my timeshare elsewhere but chose Hawaii because of the beautiful people and scenery, and now I feel I am being singled out with this significant tax increase. Nowhere else in the United States would I be facing this situation, since nowhere else is such a tax imposed for occupying a unit I already - paid for and own. Although reluctant, perhaps it is time for my wife and I to consider going elsewhere for our annual 2 week vacations.

I ask you not to support these bills. I am sure you can see the adverse affect they can have on the entire economy of the islands.

Thank you for your time,

Scott Lewis

February 24, 2011

To: Members of the House Committee of Finance

Re: HB 809

My name is Lisa de Mello Kalakau. I was born on Lanai, and raised on Oahu, where my husband and I have chosen to raise our family. After attending college in the mainland in the early 80's, I returned home. In 1983 I started working for a local timeshare company, the Royal Aloha Vacation Club, as a Clerk Typist. I was promoted to a Reservationist, then to Reservations Manager, and currently am the Resort Coordinator, overseeing 9 locations worldwide.

Having been employed by the Royal Aloha Vacation Club for over 28 years has been a wonderful blessing. While an employee, I have gotten married and had 4 children. I have been able to put my children through private school, and now all 4 of my children are in college, with my oldest just finishing Law School! Without the gainful employment of Royal Aloha, none of this would be possible. Additionally, my company has provided my children with part time jobs, allowing them to earn money while in school.

Often people are shocked to learn that I have been with my company for almost 30 years! I consider myself very blessed. My company provides me with a great salary, great medical, dental and optical benefits, and also a matching 401(k) plan. My job has allowed both my family and I to travel, allowing us to see much more of the world than we would have otherwise. And, I am not the only one! We have many people in our company that have also worked as long as I have and longer! We have housekeeping and maintenance staff members who have worked for us for 20 to 30 years. Our Director of Membership Services, a single mom who, started as a secretary, has worked for us for over 30 years, and put her 2 twin sons through college and graduate school; she is now planning a well deserved retirement! Our resort managers for Waikiki, Kona and Maui all started with Royal Aloha as housekeepers or maintenance man. Royal Aloha provided these local residents an opportunity to advance their job into a career that they and their family can be proud of.

When the bombing on 9/11 occurred, many in the hotel industry were affected by the downturn in travel. Our company did not see a downward tick. Our members, most long time owners, continued to come to Hawaii, despite the national trend to stop travelling. WIth the current economic downturn, we have felt some effects, as some of our members have. However, our company has worked very hard to make sure that our employees are fine. No one has been laid off, or has to take a pay cut. Through streamlining, improving efficiency, loyalty and dedication, we have pulled through well together. We are forging ahead with the capital improvements we have planned, including large purchases of beds, sofas, refrigerators, dishwashers, and televisions, all fueling our local economy.

The Club members that I deal with on a day to day basis come to Hawaii repeatedly. A lot of them consider themselves "part time" kamaaina - and cherish the time they have in Hawaii. However, they are very aware of the costs that are rising, not only for them, but for us residents also. If our TOT tax is increased significantly, many of these visitors have said that they will have to find a more affordable place to visit. This would definitely mean layoffs and pay cuts for our employees.

Please keep in mind when voting on HB 809 - that it is not a faceless visitor that it will affect. It is local residents and families who rely on these visitors to come. It is the front line employees, reservationists, maids, front desk clerks, along with their families who rely on these jobs to pay mortgages, school tuitions, car payments, insurance premiums, along with the day-to-day necessities, such as food, gas and utilities. With the costs of everything from gas to car registration going up, now is not the time to jeopardize the jobs of dedicated local people and the vitality of an industry that has been so supportive of Hawaii workers.

Lisa Kalakau
41-207 Paupahapaha Pl
Waimanalo, HI 96795

February 24, 2011

Good Day.

My husband and I are Maui & Kauai timeshare owners that live in California. We strongly oppose HBs 809, 1163, 1092 and SB 1319 and hope that you will oppose them as well on our behalf. All of these bills will significantly increase our TAT taxes. We have been coming to Hawaii annually for 2-4 weeks for the past 6 years and consider Hawaii our second home. We have invested a significant amount of money in our hawaiian timeshare ownership and usage of that ownership. We are very loyal, respectful and caring visitor to the islands and strongly feel part of this community. To be faced with an almost 150% TAT increase in one fell swoop is both disturbing and alarming. In fact, we don't understand why we are paying property tax and occupancy taxes to begin with.

As returning owners who have contributed a lot to the local economy over the years, we question the purpose and intent of this tax and its increase. Although we own timeshares in multiple states, we have returned annually to Hawaii because we thoroughly enjoy the sense of aloha, the beautiful scenery and the people. Now we feel as property tax payers we would be double taxed at an alarming and excessive tax rate. Nowhere else in the United States would we be facing this situation, since nowhere else is such a tax imposed for occupying a unit already paid for and owned. Although saddened and reluctant, if these ongoing increases to our annual timeshare ownership taxes continue we will be forced to sell and go elsewhere for vacations.

We ask you not to support these bills on our behalf.

Sincerely,

Mike and Dawn Alspaugh

My name is Debbie Imus and I am a timeshare owner living in Princeville, Kauii. I am strongly opposed to HBs 809, 1163, 1092 and SB 1319 which propose to raise the TAT for timeshare owners. I am one of the over 6,000 Hawaii residents who have purchased timeshare units in Hawaii. As a Hawaii taxpayer, I am disturbed that timeshare is being singled out for an almost 400% increase.

This large increase in the TAT would increase my maintenance fee payment from approximately 2400 to 3000 in one jump. My family and I have made a financial commitment to spend our vacations in Hawaii. I am truly "buying local" and for this am being assessed a transient tax for staying in a unit that that I already own. No other owner of real property is subjected to pay an occupancy tax to occupy the real property they already own in Hawaii. No other state in the U.S. assesses such a tax on timeshare owners.

As a local timeshare owner, I believe we not only support our local communities, but also contribute to the sustainability of our visitor industry. I strongly oppose this tax and any increase to it and ask you to hold any bills which propose to increase any tax on timeshare owners.

Sincerely,

Debra Imus
Princeville Westin Timeshare Owner

Debbie Imus
Mortgage Loan Officer
Lending Available in all 50 states
7981 N Oracle Rd
Tucson, AZ 85704
520-547-4747
fax 520-529-5013

Dear State of Hawaii Legislator's,

I respectfully request your consideration of my opposition to Bill HB 809, along with HB's 1163, 1092 and SB 1319, all of which will significantly increase my TAT taxes.

I am a timeshare owner at the Princeville Ocean Resort Villa and over the past 4 years, have invested in 3 weeks of time share ownership at that beautiful location.

While the worldwide time share market is wide open for owners like myself to be involved with, it was my family's decision to pick the island of Kauai as our home base and a decision we have been extremely happy with.

Just as with my home in California, I take great pride in the opportunity to own a small piece Hawaii, which I consider my home away from home, and waste no time recommending this island paradise to friends who have never been to the islands to visit.

As for my family, we have traveled to the Hawaiian Islands 3 times with-in the past 4 years.

Oh course, I'm sure all of Hawaii's Legislators are well aware of the economic state of affairs in all of the 50 States and as a resident of the State of California, no one has to remind me just how bad things have become.

It just seems to me that all of the Bills under consideration, that impact timeshare owners like me, are an unrealistic attempt to generate budget balancing revenues from a group of people who contribute so much more to the economy than just the taxes being considered for change.

Just last week, I spent 9 days in the Bahamas and contributed just over $1,100.00 to the economy for goods and services above and beyond any hotel tax that was charged by the Sheraton for my room. $1,100.00 that certainly contributed to the quality of life for the baggage handler at the airport, the taxi driver, the bus driver, the hotel staff, the excursion staff, the great Italian restaurant we found and all other incidentals while on this vacation.

My point to this is that this is probably a close example of the money I'd bring to the Hawaiian economy during a trip to Kauai to use my timeshare. $1,100.00 above and beyond the increase in taxes these Bills are considering.

So, where's the value? Increasing my TAT by $300 to $400 dollars or loosing out on the extra money I'd be spending while on my visit?

My investment in the timeshare at the Princeville Ocean resort Villas was done with a long term relationship in mind by my family for years to come. Please don't jeopardize this dream.

The bottom line is that a 300% increase in taxes to a Hawaiian homeowner would extreme and unreasonable, so why should it be any different for timeshare owners?

I sincerely urge you to not support Bills HB 809, 1163, 1092 and SB 1319.

Aloha

David G. Pasillas
14613 Sunnymead Drive
La Mirada Ca

February 18, 2011

Dear Representative or Senator,

My name is Linda Furniss. My family and I have been coming to Hawaii for over 25 years. We have enjoyed all the islands. We love it, the people and the aloha spirit. In 2003, we decided to buy 2 timeshares on Maui. A few years ago, we bought a third so there would be plenty of room for our future grand children.

As a timeshare owner, we are Hawaii property owners and pay an annual maintenance fee which includes real property taxes, general excise tax and maintenance and management fees. No other owner of real property in Hawaii is required to pay an occupancy tax to stay in real property that they already own.

Hawaii is the only state in the country to assess the TAT on timeshare owners' maintenance fees. We own another timeshare in California that we bought in 2004 and the cost has barely risen in the 7 years we have owned it. So I know this is absolutely true.

The Hawaii timeshare industry has consistently posted higher occupancy rates than hotels. In 2009, timeshare occupancy averages were over 90%--almost 25% higher than hotels and condos. Even in hard times, timeshare owners come back and are consistent, dependable and stable visitors who bring substantial tax dollars to Hawaii. Post 9/11, timeshare recorded only a 3.5% decrease in occupancy rate while hotels decreased by over 17%.

Our costs in Hawaii on our timeshares have skyrocketed so much that we cannot afford to have our 2 kids and their spouses come over this year with us. I feel we have been unfairly targeted. We do so much to help your economy by eating out, shopping, buying gifts, paying for activities (zip lining, hula shows, helicopter tours, banana boats, parasailing, kid programs) etc. You will be losing a lot of revenue, if you pass HBs 809, 1163, 1092 and SB1319, all of which increase my TAT taxes. I worry that we will not be able to afford to come to Hawaii anymore.

I respectfully urge you to vote ***NO*** on ***HBs 809, 1163,1092 and SB 1319.***

Thank you for your consideration in this matter.

Sincerely,
Linda Furniss

**To My Political Representatives/ My Employees,**

My wife and I are tax payers in the State of Hawaii, and are timeshare owners as well. We purchased our timeshare on Kauai because of the beautiful nature of the island. Yes the taxes and fees were higher than almost anywhere else in the world, but we felt it was best to stay in the United States and to invest in our Country. It also invests in jobs for our citizens, by putting to work all of the people who help to make our stay so enjoyable (restaurants, beach employees, grocery stores, vacation adventure tours, etc.). Now we hear that all this may come tumbling down around us. We are strongly opposed to House Bill 809, 1092, 1163, and the Senate Bill 1319, which propose to raise the taxes on timeshare owners. The increases are preposterous, out of this world huge. We should not have to pay for the mishandling of our tax money from the past.

In reality, many people will not be able to afford this increase, forcing foreclosures. This will have a ripple effect on the other owners, because the owners that stick it out and pay the proposed higher fees and taxes will have to make up for the vacant units and pay even higher fees and taxes. Then some of those people will not be able to afford the even higher fees and taxes, and like the others will go into foreclosure. These higher fees and taxes will also stop further investment in commercial property in Hawaii, because it will just be too outrageously expensive. The proposed increases will make it much better to go and invest in properties in Mexico. We can very easily give our money to workers in Mexico, instead of Hawaii.

Let's face it, we are the hand that feeds you. Without we vacation owners, you will slowly starve. If these proposed increases pass, much of the tax base you so desperately crave will disappear, causing more foreclosures, more unemployment and ultimately less tax revenue. So increases like the ones being proposed will actually cause the opposite effect.

**Vote <u>NO</u> to House Bill 809, 1092, 1163, and the Senate Bill 1319**

Daniel and Sandra Gannon

Aloha,
I am a timeshare owner, and I strongly object to HBs 809, 1163, 1092 and SB 1319, all of which significantly increase my TAT taxes. I have been coming to Hawaii for the past 18 years and consider Hawaii my second home. I am a loyal and caring visitor to these islands and strongly feel part of this community. To be faced with an almost 300% in one fell swoop is both disturbing and alarming.

As a returning visitor, who has contributed a lot to the local economy over the years, I question the purpose and intent of this tax and its increase. I could have chosen to purchase my timeshare elsewhere but chose Hawaii because I love the sense of aloha, the beautiful scenery, and people, and now I feel am being singled out with this significant tax increase. Nowhere else in the United States would I be facing this situation, since nowhere else is such a tax imposed for occupying a unit I already paid for and own. Although reluctant, perhaps it is time to consider going elsewhere for my vacations.

I ask you not to support these bills.
Thank you,
Hi-jin Kang Hodge

We are timeshare owners, and we strongly object to HBs 809, 1163, 1092 and SB 1319, all of which significantly increase our TAT taxes. We have been coming to Hawaii for the past four years and consider Hawaii our second home. We've been with Hilton Grand Vacation Club for the past seven years, with our timeshare homes in Las Vegas, NV and South Beach, FL. Meanwhile, we were using our points for our stays in Hawaii - the Big Island, Maui, and Honolulu. We've brought families and friends during these periods. Having been born and raised in a tropical country, our love of the islands was not a big surprise. We happened to be in Honolulu when they were building the Grand Waikikian and decided to consolidate our NV and FL into two, 2-bedroom units at the Grand Waikikian, a 2-week equivalent every year. We thought we finally found our second home and be rooted into it, until the news of the above HBs was brought into our attention. To be faced with an almost 300% increase in one fell swoop is both disturbing and alarming. Although with reluctance, we are now seriously considering moving to Orlando, FL for our annual vacations if they become law.

As returning visitors who have contributed a lot to the local economy over the years, we question the purpose and intent of this tax and its increase. We now feel being singled out with this significant tax increase. Nowhere else in the United States would we be facing this situation, since nowhere else is such a tax imposed for occupying a unit we already paid for and own.

We strongly ask you not to support these bills.

Aloha!

Fil & Imelda Talain

**Richard & Lynn Grant**
**P.O. Box 2969 / Mesilla Park, NM 88047**
**575-524-6764/575-202/4383**

Aloha, my name is Richard Grant and I strongly oppose HBs 809, 1163, 1092 and SB 1319 which would significantly increase the transient accommodations tax (TAT) for timeshare owners in Hawaii. Supposedly, these bills propose to bring the taxation of timeshare units in line with all other transient accommodation rentals. Therein lies the problem, my timeshare when rented out is already accessed the full 9.25% TAT rate. However, when I occupy the unit--for which I already pay real property taxes, GET and other management and maintenance fees--I am still assessed an occupancy tax…only in Hawaii and nowhere else. Now the legislature and Governor are proposing to significantly increase this tax!

I am requesting that before you vote on this issue you take all the facts into consideration:

**FACT:** Hawaii timeshare owners already pay higher maintenance fees and taxes than for timeshares on the mainland.
**FACT:** Hawaii timeshare owners are loyal, stable and dependable visitors.
**FACT:** Hawaii timeshare owners contribute significantly to the communities in which they stay and in turn to the State's economy.
**FACT:** Hawaii timeshare owners are already required to pay to stay in their real property which they already paid for.
**FACT:** Hawaii timeshare owners unlike most hotel guests keep on returning year after year even when times are bad.

I would think that Hawaii's timeshare owner is the kind of visitor that you would want to support and encourage, not tax! Please vote NO on these bills!

Respectfully,
**Richard Grant**

Finance Committee

Dear Committee Members:

We are timeshare owners, and we strongly object to HBs 809, 1163, 1092 and SB 1319, all of which significantly increase our TAT taxes. We have been coming to Hawaii for the past 35 years and consider Hawaii our second home. We love the islands and feel very much a part of this beautiful community. To be faced with an almost 300% tax in one fell swoop is both disturbing and alarming.

As returning visitors, who has contributed a lot of money to the local economy over the years, we question the purpose and intent of this tax and its increase. We could have chosen to purchase a timeshare in CO, but we chose Hawaii because we love the sense of aloha, and the beautiful people. We do not read about this happening anywhere else in the United States. If this proposal passes, we will have to consider going elsewhere for our vacations.

Do not support these higher taxes.

Sincerely,

*Tom & Debra Punch*

Mr. & Mrs. Thomas Punch

135 N. Ash Street

Ventura, CA 93001

February 16, 2011

**The Casey Family**
**221 Camino de las Colinas**
**Redondo Beach, CA 90277**

**Hawaii State Legislature**
**Tax Bills Under Consideration: HB 809, HB 1163, HB 1092, and SB 1319.**

Dear Honorable Members of the Hawaii State Legislature:

Aloha, my name is Seamus (Shay-mus) Casey and I strongly oppose the adoption of Tax Bills HBs 809, 1163, 1092 and SB 1319. These tax increases would significantly increase the transient accommodations tax (TAT) for my timeshares in Hawaii nearly 300%. My family and I own 3 timeshares on your beautiful Islands and have been visiting Hawaii for the past 20+ years spending almost a month per year with you. This drastic increase in taxes will make it very difficult for us to continue to vacation and own our timeshares in Hawaii. We are already being held hostage by the airlines that currently make it a hardship for us just to get to Hawaii. . We are loyal and caring visitor to these islands and have multiple generations of immediate family living in Peal City and we feel that we are truly a part of your community.

Supposedly, these bills propose to bring the taxation of timeshare units in line with all other transient accommodation rentals. Therein lies the problem, when we occupy the units--for which we already pay real property taxes, GET and other management and maintenance fees--we are still assessed an occupancy tax. This happens only in Hawaii and nowhere else and now the legislature and Governor are proposing to significantly increase this tax.

As long time visitors we have contributed a significant amount of money to the local economy over these many years and we question the purpose and intent of this tax and its increase. We had many locations to choose from when we purchased our timeshares and we chose Hawaii because we love the sense of family, aloha, the beautiful scenery, and people, and now we feel we are being singled out as timeshare owners with this significant tax increase. Again, nowhere else in the United States would we be facing this situation where we are imposed a tax for occupying a unit we already paid for and own. My family and I would hate to be forced to perhaps sell our units and consider going elsewhere for our vacations.

We are pleading with you to NOT support these bills and vote NO in them.

**Please keep in mind a few facts before you vote:**

- As a Hawaii timeshare owner we already pay higher maintenance fees and taxes than for timeshares on the mainland.
- Hawaii timeshare owners are loyal, stable and dependable visitors who care for your land as if it was our own
- Hawaii timeshare owners contribute significantly to the communities in which they stay
- and in turn to the State's economy.
- Hawaii timeshare owners are already required to pay to stay in their real property which they already paid for.
- Hawaii timeshare owners unlike most hotel guests keep on returning year after year even when times are bad.

We would think that Hawaii's timeshare owners are the kind of visitor you would want to support and encourage, not more taxes.

Please vote NO on these bills.

Warmest Regards,
Seamus and Drina Casey

Good Afternoon.

I appreciate your time and consideration when considering the following.

I write this as a Small Business owner and parent with 4 children that always look forward to our weeks in the Hawaiian Islands. I attended Chaminade University in Honolulu, and now cherish the trips back with my family. We are currently vacation owners at several properties throughout the islands.

When discussing the possibility raising the TAT, Please Vote NO. As I discussed this with other vacation owners, we consider the cost of airfare, porters, shopping, restaurants, grocery stores, car rentals and excursions that we take and consider this TAT increase an exclusive tax on our properties. We keep the Islands in high regard and our times in Hawaii the only luxury for our middle class family.

We would consider these biased taxes a reason to sell our properties and find other destinations for our family. Please **VOTE NO** on the proposed TAT increase and protect the jobs, sales and tax revenue that we and many other property owners bring to your Islands. Specifically **HB 809, HB 1163, HB 1092, and SB 1319**

Respectfully

Robert Gray

626.808.8995

Please oppose proposed increases in the TAT on timeshare owners' maintenance fees.in the following tax increase bill as it has been proposed:

- HB 809

The impact of the proposed taxes is excessive, and needs to be reduced substantially to make the increases reasonable and proper.

We invested in property in Hawaii a few years ago and visit your state frequently to enjoy the ambience of the relaxing lifestyle. These proposed tax increases and changes in calculation of fair market values will triple the transient accommodations taxes (TAT) that we pay when we use our condo in Hawaii, and will make it less attractive to visit your state as often. Timeshare unit owners are more loyal visitors who come more regularly to spend vacation $ in Hawaii than normal tourists, and should not be penalized by excessive tax increases..

Being from Illinois which has its own financial problems, we can understand the need for some tax increases, but the magnitude of these proposed tax increases is unreasonable.

We appeal to you to bring any increases into a reasonable amount that will not discourage us and other out-of-state owners of Hawaiian properties from visiting Hawaii.

Thank you for your consideration of the inequity of these tax bills as they have been proposed, and your diligent efforts to make any bills enacted more reasonable.

Regards,

James Houston                Mary Lunz Houston

To: Hawaii State Legislature

From: Gary Davies

RE: HB809

I am submitting testimony as a timeshare owner regarding HB809 to increase the TAT for time share owners.

I have been travelling to Hawaii every year for the last 9 years after our first trip in 2002. In 2004 we decide to purchase a timeshare in Hawaii because we knew we want to keep returning to Hawaii every year even though it is an 11 hour flight as we live in Connecticut.

With this commitment we wanted to own a second home but with real estate prices at the time it was not financially feasible to buy a second home there. Owning a timeshare seemed to be a good compromise, we could still own and commit to returning to Maui without bankrupting us.

It has been a sore point however that even though I do own that I pay a "hotel" tax which only Hawaii imposes on timeshare owners. To learn that this proposal is in committee to increase this rate was more than disappointing.

This increase will and already has impacted my future travel plans. I am usually securing my reservation a year in advance and have held off making this reservation for 2011 with the intent of trading to somewhere else. You will get your extra $200+ dollars in taxes from me, but I do have choices in where to spend my discretionary dollars for food, car rental, restaurants, tours etc which easily exceeds $2,000 every year elsewhere.

By passing this measure you are telling me you are not welcome here until after 2015.

WRITTEN TESTIMONY

HB 809, HD1

RELATING TO THE TRANSIENT ACCOMODATIONS TAX

GRANT ITO

TIMESHARE OWNER, HAWAII RESIDENT

COMMITTEE ON FINANCE

Friday, February 25, 2011, 5:00 PM

Chair Oshiro and members of the Finance Committee:

My name is Grant Ito and I would like to submit written testimony as a timeshare owner and resident of the State of Hawaii on HB 809, HD1, "RELATING TO THE TRANSIENT ACCOMODATIONS TAX."

My family and I have used our Hawaii timeshare almost every year to take a stay-cation in Waikiki. My daughter invites her school friends and we often share this experience with other local families. We are always reminded each time we use our timeshare week of why we choose to live in Hawaii as we enjoy the natural beauty of the Islands and instill a sense of place in my daughter.

I am opposed to HB 809, HD1 and proposed HD2. As a deeded owner of my timeshare interest in Hawaii I am already subject to real property assessments and general excise taxes in addition to the transient accommodations tax.

This bill seems to try to achieve parity between timeshare owners and hotel guest, but there are huge differences between the two. Beyond the obvious difference of paying real property taxes and general excise taxes on maintenance fees the timeshare owners have a sense of place here in Hawaii; even those who are not residents of the State. For a hotel guest his visit to Hawaii may be a once in a lifetime event, however for a timeshare owner on the last day of his stay in Hawaii is already looking forward to his return next year. As a resident of the State I try to support our local charities by volunteering my time and making monetary donations to organization that support our community. It is not surprising that I have also seen timeshare owners from out of state also support out local charities monetarily or by volunteering their time. They come back to Hawaii year after year because they have invested in our Islands, and like my daughter, they have instilled in themselves a sense of place here in Hawaii. We are not your average hotel guest and should not be treated like one.

In 2009 the timeshare industry paid $85.7 million in various taxes in Hawaii; real property taxes made up $47.1 million and general excise taxes made up $20.2 million of this total with TAT and TOT taxes making up the majority of the balance. I hope you will agree that timeshare owners in Hawaii (residents and non-residents) are already paying their fair share of taxes, but they are also doing much more to help and support our communities, and we should not be treated like a regular hotel guest.

Thank you for the opportunity to testify.

LAWAI BEACH RESORT

5017 Lawai Road
Koloa, Kauai, HI 96756
808/240-5100
Fax: 808/240-5320

# Facsimile

**To:** House Finance Committee

**From:** Various Owners of Lawai Beach Resort

**Date:** February 25, 2011
Conference Room 308
5:00 p.m.

**RE:** HB 809

Attached letters in opposition.

You should receive 3 page(s), including this cover sheet. If you do not receive all pages, please call (808) 240-5158

February 23, 2011

Dear Sir:

Aloha, my name is Wm. Howard Leyda and I strongly oppose HBs 809, 1163, 1092 and SB 1319 which would significantly increase the transient accommodations tax (TAT) for timeshare owners in Hawaii. Supposedly, these bills propose to bring the taxation of timeshare units in line with all other transient accommodation rentals. Therein lies the problem, my timeshare when rented out is already assessed the full 9.25% TAT rate. However, when I occupy the unit for which I already pay real property taxes, GET and other management and maintenance fees, I am still assessed an occupancy tax. Only in Hawaii and nowhere else is this the practice. Now the legislature and Governor are proposing to significantly increase this tax.

I am requesting that before you vote on this issue you take all the facts into consideration. Some of those facts are as follows:

1. Hawaii timeshare owners already pay higher maintenance fees and taxes than for timeshares on the mainland.

2. Hawaii timeshare owners are loyal, stable and dependable visitors.

3. Hawaii timeshare owners contribute significantly to the communities in which they stay and in turn to the State's economy.

4. Hawaii timeshare owners are already required to pay to stay in their real property which they already paid for.

5. Hawaii timeshare owners unlike most hotel guests keep on returning year after year even when times are bad.

I would think that the Hawaii timeshare owner would be the kind of visitor that you would want to support and encourage, not TAX! Please vote NO on these bills.

Thank you..

Wm. Howard Leyda

February 23, 2011

Dear Sir:

Aloha, my name is Rose J.Leyda and I strongly oppose HBs 809, 1163, 1092 and SB 1319 which would significantly increase the transient accommodations tax (TAT) for timeshare owners in Hawaii. Supposedly, these bills propose to bring the taxation of timeshare units in line with all other transient accommodation rentals. Therein lies the problem, my timeshare when rented out is already assessed the full 9.25% TAT rate. However, when I occupy the unit for which I already pay real property taxes, GET and other management and maintenance fees, I am still assessed an occupancy tax. Only in Hawaii and nowhere else is this the practice. Now the legislature and Governor are proposing to significantly increase this tax.

I am requesting that before you vote on this issue you take all the facts into consideration. Some of those facts are as follows:

1. Hawaii timeshare owners already pay higher maintenance fees and taxes than for timeshares on the mainland.

2. Hawaii timeshare owners are loyal, stable and dependable visitors.

3. Hawaii timeshare owners contribute significantly to the communities in which they stay and in turn to the State's economy.

4. Hawaii timeshare owners are already required to pay to stay in their real property which they already paid for.

5. Hawaii timeshare owners unlike most hotel guests keep on returning year after year even when times are bad.

I would think that the Hawaii timeshare owner would be the kind of visitor that you would want to support and encourage, not TAX! Please vote NO on these bills.

Thank you.

Rose J Leyda

P.O. Box 915
Chewelah WA 99109
February 15, 2011

Marcus Oshiro, Chair
House Finance Committee

Aloha - my name is Janet Greenaway and I oppose HBs 809, 1163, 1092 and SB 1319. If passed they would increase my TAT 400% based on my maintenance fee. I own three Timeshares in Hawaii for the past 14 years. I also own a timeshare on the mainland. Hawaii is the only State that charges an occupancy Tax on property I have paid for and own. This is discrimination!

I/we pay annual maintenance fees and property tax. An increase in the TAT Tax will cause me/us to sell our timeshares and vacation in other beautiful areas. When we visit Hawaii we spend alot of money in your state. An increase in TAT tax will force many other Time share owners to vacation elsewhere resulting in a significant lose financially to the State of Hawaii.

As a timeshare owner I am the kind of visitor you should encourage, not tax. Please vote No on these bills.

Thank you.

Janet R. Greenaway

Representative Marcus Oshiro
House Finance Committee

February 9, 2011

Aloha,

My name is Kenneth Porter and as a Hawaii timeshare owner, I strongly oppose HBs809, 1163, 1092 and SB1319 which would increase the transient accommodation tax (TAT) by almost 300% for timeshare owners in Hawaii. Whenever I occupy my timeshare, I already pay real property taxes, GET, and other management and maintenance fees, plus an occupancy tax. In addition, when my timeshare is rented to others, they pay the full 9.25% TAT.

I am fully aware that many states are faced with budget problems and elected officials must seek appropriate means of solving these budget problems through cutting staff, cutting spending, and raising taxes and fees. Most reasonable people are willing to accept small increases in fees and cuts in programs. However, this proposed increase in the TAT is quite excessive. I find it hard to believe that a state such as Hawaii which relies heavily on tourism would resort to trying to discourage people from visiting the state by imposing such an onerous tax increase.

My wife and I spend eight weeks in our timeshare every year. We rent a car locally, we eat out frequently at locally owned restaurants, we purchase local produce at farmers' markets, play golf at the local golf courses, attend a local church to which we contribute significantly, and participate in tourist activities run by local companies. In other words, for 2 months of every year, this is our home, and we love it and the people and local friends that we have made here. We have encouraged and been successful in persuading others to purchase timeshares here also, and all of them feel as we do that this increase, if passed, will significantly impact their vacation plans

We are not independently wealthy and may have to consider other possibilities if Hawaii's elected representatives vote yes on these bills. Please, consider carefully the harm which passage of these bills will do and vote NO. We ask you to encourage growth and good will, don't exploit those of us who own timeshares here, love Hawaii and consider it our second home.

Sincerely,

Kenneth and Faye Porter

KPorter Faye Porter

430 BROADMOOR ST
RICHLAND WA 99352

| | | |
|---|---|---|
| To: | Calvin Say | Speaker of the House |
| | Blake Oshiro | House Majority Leader |
| | Gene Ward | House Minority Leader |
| | Shan Tsutsti | President of the Senate |
| | Brickwood Galuteria | Senate Majority Leader |
| | Sam Slom | Senate Minority Leader |
| | Marcus Oshiro | House Finance Chair |
| | Tom Brower | House Tourism Chair |
| | Roslyn Baker | Senate Commerce and Consumer Protection Chair |
| | Donna Mercado Kim | Senate Tourism Chair |
| | David Ige | Senate Ways and Means Chair |

Subject: State of Hawaii HB 809, 1163, 1092 and SB 1319

My family and I are timeshare owners and strongly object to HB 809, 1163, 1092 and SB 1319, all of which will significantly increase our TAT taxes. Our family has been vacationing in Hawaii for the past 23 years and usually stays from 2 to 6 weeks each year. We are loyal and caring visitors to these islands and strongly feel a part of the people and the community. To be faced with this kind of tax increase is both disturbing and alarming. We understand that the State of Hawaii is in financial difficulties, as are most of the states in our nation. However, this is not the fault of those who vacation here and therefore, we should not be required to bear the burden of this regressive tax.

As a returning visitor who has contributed a lot to the local economy over the years, I question the purpose and intent of this tax and its increase. I could have chosen to purchase my timeshare elsewhere, but chose Hawaii because we love the sense of aloha, the beautiful scenery, and its people. Now we are being singled out to pay this significant tax increase. Nowhere else in the United States would my family be facing this situation, because, nowhere else in this nation is such a tax imposed for occupying a unit I have already paid for and own. Although reluctant, perhaps it is time to consider going elsewhere for our family vacations where this tax will not be imposed.

I ask you to defeat these bills.

Sincerely,

Roy Bollinger

Roy Bollinger
11302 SE 219th Pl
Kent, WA 98031
253-852-4492
bollingerre@comcast.net

Feb. 24. 2011 1:52PM    Feb. 23, 2011 No. 1153 P. 52

To whom It May Concern - My husband Ken and I have the privilege of owning 2 weeks at Lawai Beach resort in Kauai. Kauai has become a second home for us. We love the island and its people. My husband is a woodturner & has become part of the Kauai Woodturners. We both have been embraced by the people who live here.

We are concerned about the laws up for vote that would raise taxes on time share owners. We - along with other time share owners have made a financial committment to these islands. Not only do we look forward to our 2 weeks at Lawai Beach but we have started coming twice a year because we cannot stand to be away a whole year. If you were trying to discourage tourism these laws would make sense. In this troubled economy perhaps you could draft a law that would encourage more tourism - not less. We will not stop coming to Kauai because it is home to us. We will have less to spend when we get here because of the increased taxes we would have to pay. There will be a domino effect with loss of jobs in the tourism industry and this will effect the local population who can vote. The tax money you collect from us will go to pay the unemployment benefits of people who have lost their jobs.

Thank you for your consideration -

Sandra Haines
128 Cranston Crest

Lawai Beach Resort
5017 Lawai Rd

As a time share owner at Lawai Beach Resort in Koloa Kauai I am very concerned about the new Taxes being considered for Time shares in Hawaii. We have been owners for 15 years and feel Hawaii is our second home. The increase in taxes will be harmful to our retirement and our future ownership of our Time Share at Lawai Beach. We will not be able to support an increase of 300-400% in taxes as we are on a fixed income as are many of the other owners.

I strongly oppose HBs 809, 1163 1092 and SB 1319 all of which significant increase my TAT taxes.

I would Think That Hawaii Time share owners are the kind of visitor That you would want to support and encourage. Please vote No on These Bills.

John J. Murphy
235 E 24
Spokane Wa
99203

February 18, 2011

Dear Representative Marcus Oshiro:

We are writing to express our concern regarding the proposed increase in taxes. We are extremely concerned that this will have a huge negative impact on the economy of the state of Hawaii. We are timeshare owners who have been coming to Hawaii for the past 16 years. This increase will likely mean that we will no longer find it finacially feasible for us to continue to enjoy this luxury.

We are members of Kiahuna Golf course, we support many of the local businesses by participating in activities, dining out, grocery shopping, car rental, gasoline purchases, etc.

While we understand the need for additional revenue, we believe this proposal will have the opposite effect, causing many to abandon their time shares and negatively impacting so many areas of the Hawaiian economy.

Thank you for your time and consideration. We understand you have an incredibly difficult job and wish you all the best.

Sincerely,

David and Paula Nutt

February 17, 2011

TO: Governor Neil Abercrombie
And State Legislatures

I write this letter with deep concern for the timeshare owners and the economy of the State of Hawaii.

My family is in opposition of the HBS 809, 1163, 1092 and SB 1319. We have been coming to the Hawaii since 1981 and we come 4+ times per year now staying a minimum of 3 weeks to 8 weeks. I definitely do not see this happening if these taxes are passed.

We play golf, eat out and partake in different recreational activities around the island. We spend thousands of dollars for each trip we make and this does not include the air fare or car rental. Looking at car rentals and their taxes is another story. I look at some of these figures and think "I don't want to buy the car I just want to rent it"!

We implore you to rethink the passing of these taxes.

In 30 years we have made many friends and I fear for the impact these taxes will have on their lives when you start having a big decline in tourism.

Yours truly,

Gai Stewart family

February 17, 2011

TO: Representative Marcus Oshiro

I write this letter with deep concern for the timeshare owners and the economy of the State of Hawaii. I am an owner at the Lawai beach Resort in Poipu, Kauai.

My family is in opposition of the HBS 809, 1163, 1092 and SB 1319. We have been coming to the Hawaii since 1981 and we come 4+ times per year now staying a minimum of 3 weeks to 8 weeks. I definitely do not see this happening if these taxes are passed.

We play golf, eat out and partake in different recreational activities around the island. We spend thousands of dollars for each trip we make and this does not include the air fare or car rental. Looking at car rentals and their taxes is another story. I look at some of these figures and think "I don't want to buy the car I just want to rent it"!

We implore you to rethink the passing of these taxes.

In 30 years we have made many friends and I fear for the impact these taxes will have on their lives when you start having a big decline in tourism.

Yours truly,

Gai Stewart family

Feb. 24. 2011 1:44PM No. 1150 P. 5

Eldon Rickman
420 Canyon Pl,
Wenatchee, WA
98801

February 22, 2011

4

Honorable Hawaiian State Legislators,

My name is Eldon Rickman and I own three weeks in the beautiful Hawaii Beach Resort time share facility. My wife and I have been coming to Hawaii since 1981. We have been coming every Winter. We have been time share owners since 1994. I am retired and spend my Winter-relief time in February to escape the frigid Central Washington State Winter weather.

I oppose the proposed transient accomodation tax (TAT) because of the nearly 400% increase in my Hawaii taxes. This is not a gradual proposed increase, it is a sudden proposed increase. It will take away as much as $22 per day of my allotted spending money. My fixed income does not allow me to spend unlimited funds during my stay in Hawaii. If the tax is imposed, I will be forced to spend less on meals out, Hawaiian attire, gifts, activities, and special events. This reduced spending will affect local private-sector business income and cause the loss of jobs in the private sector.

As I age beyond 76 year old, I will maintain my desire to enjoy the Aloha. But higher taxes could force me to not occupy my beloved time share Hawaii Beach Resort every year. This could leave the rooms unoccupied and not produce the proposed TAT tax. Mahalo for considering my views. I expect to have the proposed TAT bill defeated.

Aloha

Eldon Rickman

Louise Rickman

WITHERSPOON·KELLEY
Attorneys & Counselors

SPOKANE | SEATTLE | COEUR D'ALENE | PORTLAND

K. THOMAS CONNOLLY
ktc@witherspoonkelley.com
509.624.5265

February 17, 2011

Honorable Marcus Oshiro
c/o Lawai Beach Resort
Koala, Kaukai, HI 96756

Dear Hon. Oshiro:

I am very concerned about the tax bills under consideration, or as they may be aggregated or consolidated to impose an additional tax on timeshare owners. I understand the great recession we are undergoing and the need to try to maintain current programs. However, as your prescient native son, President Obama, has said, "this is about JOBS."

I need not remind you what taxes are already imposed on timeshare owners, but to layer an additional tax on a limited class of such magnitude seems discriminatory.

As you may have noticed, the Marriot recently announced they are going to "spin off" their time share operation because of its frailty and poor performance in the last 2-3 years, and it has been a heavy burden on their profits.

Next month, our timeshare, Lawai Beach Resort, has set a non-judicial foreclosure sale at the Kauai county courthouse for 90 time share units. There is no upset price.

Many time-owners are on fixed income, and in this economy, there will be more defaults, and that will only add to the problems you already face. Construction will be slower to pick up, maintenance of the grounds will be further curtailed, and the tourist economy we so heavily rely upon will suffer.

We have been coming here, annually, for 15 years and consider ourselves part of the community. We have many other choices that beckon us, but we have never exchanged our time share because this is our other home. We have had guests (friends /relatives) stay with us who, in turn, have purchased timeshares.

To levy another tax on timeshares would truly be a poorly thought out resolution to the current problem.

Respectfully submitted,

K. Thomas Connolly
K. THOMAS CONNOLLY

KTC:rs

Re: 2011 Timeshare Tax Increases

We are timeshare owners at Lawai Beach Resort in Kauai and have owned for the past 15 years (since Jan. 1996). We have been loyal, caring visitors to Hawaii because coming to this "Home Away From Home" in paradise feels so comfortable on each visit due to the friendly welcome of the local people.

However, we strongly object to the 4 proposed bills HB809, HB1163, HB1092 and SB1319, which will increase our TAT taxes significantly.

Currently, owners pay 7.25% tax on 50% of the overall maintenance fee paid to the owners association. But these 4 bills would increase the calculation to 150% of the overall maintenance fee. This is a 300% increase. And all these bills combined lead to a 400% increase of the tax timeshare owners would pay on the maintenance fee. We are shocked at this development and alarmed at how unfair the new tax level would be.

As a returning visitors who have contributed willingly to the local economy over the years, we must question the purpose and intent of this tax and its increase.

We chose Hawaii's location to purchase our timeshare because we love the warm feeling of aloha spirit and peacefulness and the beautiful scenery. But now we feel we are being singled out with this huge tax increase. Nowhere else in the U.S. has such a tax imposed for occupying a unit already paid for and owned. Reluctantly, we are forced to consider going elsewhere for vacation instead of Hawaii.

We urge you <u>not</u> to support these bills.

Diane Wei, Maurice Wei

February 19, 2011

My wife and I are residents of the State of Washington and we have some timeshares on the island of Kauai. We bought these time shares because we love the island and its people, and enjoy spending our vacations there.

Over the past several years, air fares to Kauai and our maintenance fees have increased substantially, thus making it significantly more expensive to come to Kauai. Now, we understand that Hawaii is considering a transient accommodations tax (TAT) change, that would increase our maintenance fee tax by several hundred percent. We strongly oppose the proposed TAT tax, especially when Hawaii is the only state in the country to assess this tax on time share owners. Further, for owners with multiple time share units, this tax could create a severe financial burden.

We believe this tax increase is repressive, and when coupled withe the other factors just discussed, may tend to discourage people from buying time shares in Hawaii or discourage people who already own timeshares from visiting Hawai'i as often as they did in the past. Clearly, this would result in an occupancy reduction at Hawaiian time share resorts, with a corresponding loss of revenue to their supporting service sector (restaurants, activities, retail purchases, etc).

Conceivably, the proposed TAT tax increase may actually culminate in a net loss of revenue to the State of Hawaii. Perform the cost trade-off studies, with these factors included, and you will likely conclude that this proposed tax increase should be discarded

Sol Guttenberg
Sol Guttenberg

Althea Guttenberg
Althea Guttenberg

1811 S. Dawes St.
Kennewick, WA 99338

Feb 19/2011

Aloha, my name is Connie Larson and I strongly oppose HB's 809, 1163, 1092 and SB 1319 which would increase the TAT.

As a family we have been coming to Kauai since the early 80's. We have been timeshare owners since 1998.

We have seen the maintenance fees and taxes go higher than anywhere else in the country.

Increasing the TAT for those of us that come and stay for 4 weeks + would be very cost prohibitive.

Please vote NO on these bills!

Connie Larson
1714 Ewart Ave
Saskatoon, Sk.
S7H 2L2
1-306-373-7666

**FINTestimony**

**From:** mailinglist@capitol.hawaii.gov
**Sent:** Friday, February 25, 2011 12:31 PM
**To:** FINTestimony
**Cc:** cmcf1954@aol.com
**Subject:** Testimony for HB809 on 2/25/2011 5:00:00 PM

Testimony for FIN 2/25/2011 5:00:00 PM HB809

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Nancy McFarland
Organization: Individual
Address:
Phone:
E-mail: cmcf1954@aol.com
Submitted on: 2/25/2011

Comments:
I have been a timeshare owner for over 5 years in Maui. I strongly object to HB 809 which will significantly increase my TAT taxes. I have been coming to Hawaii for over 30 years and feel that I have been a loyal and caring visitor. As a Hawaii taxpayer, I am disturbed that timeshare is being singled out for 27.6% increase.As a local timeshare owner, I beliece we not only support our local communities, but also contribute to the sustainability of our visitor industry.My family and I love Hawaii. We would hate to be over-taxed to the point of having to give up our beautiful accomodation. I strongly oppose the House Bill 809 which proposes to increase taxes on timeshare holders.
Sincerely,

Nancy A. McFarland

## FINTestimony

**From:** mailinglist@capitol.hawaii.gov
**Sent:** Friday, February 25, 2011 10:31 AM
**To:** FINTestimony
**Cc:** tn@thomasnolan.net
**Subject:** Testimony for HB809 on 2/25/2011 5:00:00 PM

Testimony for FIN 2/25/2011 5:00:00 PM HB809

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Thomas Nolan
Organization: Individual
Address:
Phone:
E-mail: tn@thomasnolan.net
Submitted on: 2/25/2011

Comments:
The number one industry in the state of Hawaii is tourism. Why is the legislature trying to make Hawaii a less attractive destination by increasing the cost of visiting the islands? There are plenty of other destinations that would love to have our tourism dollars and are making it more attractive for travelers to vist, not less attractive, in a down economy. Don't pass this legislation.

## FINTestimony

**From:** mailinglist@capitol.hawaii.gov
**Sent:** Friday, February 25, 2011 11:30 AM
**To:** FINTestimony
**Cc:** patniehaus@frontiernet.net
**Subject:** Testimony for HB809 on 2/25/2011 5:00:00 PM

Testimony for FIN 2/25/2011 5:00:00 PM HB809

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Patricia Niehaus
Organization: Individual
Address:
Phone:
E-mail: patniehaus@frontiernet.net
Submitted on: 2/25/2011

Comments:
This bill will negatively affect our ownership. We are discouraged upon receiving increased annual maintenance fees. We are out of state owners and have been visiting Maui for the last 15 years. If fees continue to rise, we may have to sell our time share.

## FINTestimony

**From:** mailinglist@capitol.hawaii.gov
**Sent:** Friday, February 25, 2011 2:59 PM
**To:** FINTestimony
**Cc:** rhonagreenstein@gmail.com
**Subject:** Testimony for HB809 on 2/25/2011 5:00:00 PM

Testimony for FIN 2/25/2011 5:00:00 PM HB809

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Rhona Greenstein
Organization: Individual
Address:
Phone:
E-mail: rhonagreenstein@gmail.com
Submitted on: 2/25/2011

Comments:
I would like to take this opportunity to testify before the State Legislature of Hawaii. We are the proud owners of a timeshare property at The Westin Ka'anapali Ocean Resort Villas North and our Owners Association has kept us apprised of the property tax issues that have been the subject of appeals during the last two years. In addition, we have recently been advised that additional taxes; e.g. timeshare owners' tax and transient accommodations tax, are under consideration in the State Legislature. The specific bills I am referring to are HB 809, HB 1163, HB 1092, and SB 1319. Upon reviewing the ramifications of this proposed legislation, we are very distressed to learn that we could likely be incurring substantial tax increases. We purchased this property for the sole purpose of being able to vacation in Hawaii and stay in comfortable surroundings while avoiding the huge expense of hotel and some dining charges. In addition, and probably the most important reason we are so concerned, is that these taxes will directly affect our ability to sell the property if that should become necessary for us. The market for timeshare properties which are saddled with exorbitant taxes will certainly not be enticing to prospective buyers.

We own two additional timeshare properties in other states and are not encumbered by these taxes/increases there. There is no doubt in our minds that the high cost of owning a timeshare in Hawaii will become a burden and may very well adversely affect the tourism industry.

In conclusion, we ask that you very seriously consider our concerns and vote against these bills.

Thank you for your service to the State of Hawaii and the United States of America.

Rhona and Allen Greenstein
Plano, Texas

## FINTestimony

**From:** bbhipke [bbhipke@cox.net]
**Sent:** Thursday, February 24, 2011 4:46 PM
**To:** FINTestimony
**Cc:** Hookano Noe

Dear Committee members:

My name is Robert Hipke. I am President of a Time Share Association, Lika Lani, located in Kauai.

I am writing in opposition to both versions of House Bill 809.

Our owners, some of whom are citizens of Hawaii as well as others from the Mainland who are also OWNERS, and pay taxes to the State of Hawaii, have suffered thru years of TAT taxes, even tho they are property owners.

Now you want to increase this tax, which in many eyes may be illegal, as it is charged to owners of property, considering them as transients.

INcreasing this liability to the use of their own property, may have some of them consider not using their interest and selling their Time Share and going elsewhere or staying home, which would impact the economy of Hawaii.

I urge you to consider not enacting this measure especially in these economic times.

Mahalo

Robert Hipke
President
Lika Lani Time Share Associations
Kauai

**From:** mailinglist@capitol.hawaii.gov
**Sent:** Thursday, February 24, 2011 3:36 PM
**To:** FINTestimony
**Cc:** ccasco@timeshareresaleshawaii.com
**Subject:** Testimony for HB809 on 2/25/2011 5:00:00 PM

Testimony for FIN 2/25/2011 5:00:00 PM HB809

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Charles Casco
Organization: Bay Realty, Inc.
Address:
Phone:
E-mail: ccasco@timeshareresaleshawaii.com Submitted on: 2/24/2011

Comments:
Chair Oshiro and Members of the Committee:

We have been in the Timeshare Resale business since 1989. The single most important reason Hawaii timeshare owners resell their timeshare plans is because the taxes on maintenance fees increased significantly. The single most important reason propsective buyers on the resale market don't buy timeshare resales (at 30% to 80% below developer prices) is because the taxes and maintenance fees are too high.

We strongly oppose any increase in the TAT on timeshare owners maintenance fees, because our experience has confirmed that this increase in taxes will result in more timeshare owners wanting to give up their Hawaii timeshares, many owners lose there property before we can resell them. This would have a major impact on the timeshare industry in the Hawaiian Islands.

Timeshare Resales Hawaii has sold over 10,000 timeshare transactions since 1989 representing sellers with timeshare plans in over 65 timeshare properties in Hawaii. We have seen the market prices deteriate in the last 4 years, because the taxes and maintenance fees are too high. Don't hurt this vital market that helps the State with 13% of the State's lodging with over 10,000 timeshare units in the Islands. Hawaii timeshare resorts has maintained an occupancy rate of 91% and they support local businesses and the local economy.

Most of Hawaii timeshare owners have made a long-term commitment to Hawaii by purchasing and owning real property in Hawaii. These owners and their guest are dependable, consistent and stable visitors who bring substantial tax dollars to Hawaii and continue to come even during economic downturns.

I believe this legislation is determental to all timeshare owners as well as the Hawaii tourism industry, which will only exacerbate the existing disincentive to invest in and visit Hawaii. I respectfully ask you to hold this measure.

I am also a timeshare owner in Hawaii and I strongly oppose the proposed measure.

Thank you for allowing me to present testimony on this important matter.

NEIL ABERCROMBIE
GOVERNOR

BRIAN SCHATZ
LT. GOVERNOR

FREDERICK D. PABLO
DIRECTOR OF TAXATION

RANDOLF L. M. BALDEMOR
DEPUTY DIRECTOR

STATE OF HAWAII
**DEPARTMENT OF TAXATION**
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1530
FAX NO: (808) 587-1584

## HOUSE COMMITTEE ON FINANCE

## TESTIMONY OF THE DEPARTMENT OF TAXATION REGARDING HB 1092 HD1 PROPOSED B RELATING TO TAXATION

| | |
|---|---|
| **TESTIFIER:** | **FREDERICK D. PABLO, DIRECTOR OF TAXATION (OR DESIGNEE)** |
| **COMMITTEE:** | **FIN** |
| **DATE:** | **FEBRUARY 25, 2011** |
| **TIME:** | **1:30PM** |
| **POSITION:** | **SUPPORT PART I AND II, OPPOSE PART III** |

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This measure amends the current law that excludes employer-funded pension income from income tax. It treats employer-funded pension income like all other income, similar to that of the federal tax code. It starts in the 2011 tax year.

The Department of Taxation (Department) **supports** this measure.

### PART I: TAXATION OF PENSION INCOME

**FAIRNESS**—This proposal makes taxation of pensioners more "even handed." Currently, retirees without employer-funded pensions are taxed on their retirement income, such as 401K, dividends, rental income, and other sources of income. It is a fair tax policy to treat the taxation of employer-funded retirement income similar to the self-funded retirement income.

The 1995-1997 and 2001-2003 Tax Review Commission recommended a phase in taxation of all pension income. Similarly, the 2005-2007 Tax Review Commission recommended conforming to the federal tax treatment of retirement income, excluding an annual base amount (*e.g.*: $50,000). Hawaii is one of only ten (or 20%) states that exclude all federal, state and local pension income from taxation[1]. Forty (or 80%) states taxed pension.

**PRESERVE THE EXEMPTION FOR OF PENSION INCOME UP TO CERTAIN AMOUNT REGARDLESS OF INCOME LEVELS—**

This measure proposes to preserve the exemption of the pension income, regardless of income levels, up to:

- $75,000 of pension income for single or married filing separately;
- $112,500 of pension income for head of household or surviving spouse;
- $150,000 of pension income for joint returns.

The Abercrombie-Schatz Administration proposes to preserve the exemption of the pension income for those with a federal Adjusted Gross Income of less than:

- $37,500 for single or married filing separately;
- $56,250 for head of household or surviving spouse;
- $75,000 for joint returns.

The thresholds chosen by the Administration took into consideration the average household income and average pension amount. According to the US Census Bureau, average Hawaii household income in 2008 was $66,701. According to the 2008 Federal Individual Income tax data, the average Hawaii residents' pensions and annuities taxed at the federal level was $22,686. According to the 2009 State Individual Income tax data, the amount of pensions taxed at the federal level but not by the State is $2.61 billion. This exemption currently benefits approximately 96,200 taxpayers, or only 18% of Hawaii resident taxpayers[2].

This measure will only impact 896 taxpayers (or approximately 0.2% of Hawaii resident taxpayers), whereas the Administration's proposal will impact 43,520 taxpayers (or approximately 8.1% of Hawaii resident taxpayers).

[1] The ten (10) states are as follows: Alabama, Hawaii, Illinois, Kansas, Louisiana, Massachusetts, Michigan, Mississippi, New York and Pennsylvania.

[2] Total number of 2009 resident individual income tax returns is 535,996.

**REVENUE GAIN**—This measure will result in an estimated revenue gain of $9.9 million per year for FY 2012 and thereafter, whereas the Administration's proposal will result in an estimated revenue gain of $112.3 million per year for FY 2012 and thereafter.

## PART II: STATE TAX DEDUCTION

**SOUND TAX POLICY**—It is a fundamental tax policy to eliminate an absurd deduction allowed by the same source that is taxing the income. The current deduction is irrational and poor tax policy. It also simplifies the tax code. Only a handful (approximately 5) other states allow a state tax deduction for state income tax paid.

**PHASE-OUT THE REPEAL FOR THOSE WITH MODEST INCOME**—
Eliminates the deduction for the 2011 tax year for those earning:
- $75,000 or more for single or married filing separately;
- $112,500 or more for head of household or surviving spouse;
- $150,000 or more for joint returns.

Phases-out the deduction by reducing it over two taxable years for all others:
- 50% reduction for 2011
- 75% reduction for 2012
- 100% reduction for 2013.

**REVENUE GAIN**—This measure will result in an estimated revenue gain of $63.7 million for FY 2012, $79.0 million for FY 2013, $94.4 million for FY 2014 and thereafter.

## PART III: ROYALTIES EXCLUSION

The Department opposes the repeal of the royalties exclusion. The royalties exclusion encourages the entertainment industry in Hawaii and directly benefits Hawaii's local musicians and filmmakers. The Department defers to the Department of Business Development and Tourism on the further merits of this exclusion.

**REVENUE GAIN**—This measure will result in an estimated revenue gain of $2.5 million/year for FY 2012 and thereafter.

**REVENUE GAIN FOR PART I, II, AND III**—This measure will result in an estimated total revenue gain of $76.1 million: FY 2012, $91.4 million: FY 2013, $106.8 million: FY 2014 and thereafter.

NEIL ABERCROMBIE
GOVERNOR

BRIAN SCHATZ
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| **DATE:** | **FEBRUARY 25, 2011** |
| **TIME:** | **1:30PM** |
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