

Honolulu, Hawaii

FEB 17 2012

RE: S.B. No. 3048
S.D. 1

Honorable Shan S. Tsutsui
President of the Senate
Twenty-Sixth State Legislature
Regular Session of 2012
State of Hawaii

Sir:

Your Committee on Tourism, to which was referred S.B.
No. 3048 entitled:

"A BILL FOR AN ACT RELATING TO TRAVEL AND TOURISM STIMULUS
INITIATIVES,"

begs leave to report as follows:

The purpose and intent of this measure is to provide a stimulus, through tax relief, for large hotel and resort construction and renovation projects and for the operation of those hotel and resort projects for seven years after completion of construction and renovation.

Your Committee received testimony in support of this measure from the Hawaii Tourism Authority, Hawaii Lodging & Tourism Association, American Resort Development Association, Outrigger Hotels and Resorts, Marriott Vacation Club Resorts, Wyndham Vacation Ownership, Ko Olina Resort, Kyo-ya company, LLC; and The Pacific Resource Partnership. Your Committee received testimony in opposition to this measure from Page Marketing, Inc. Your Committee received comments on this measure from the Department of Business, Economic Development, and Tourism, Department of Taxation, and Tax Foundation of Hawaii.

Your Committee finds that this measure will provide a strong incentive for the upgrading of the State's aging hotel facilities - a key component in the successful branding of Hawai'i visitor industry product. Increasing visitor arrivals and spending



depends on the improvement and enhancement of the Hawaii tourism brand, including the physical infrastructure.

Your Committee further finds that successful hotel and resort operations depend to a great extent on the employees who provide services for the guests, and that employee costs are a significant portion of overall operational expenditures.

Your Committee has amended this measure accordingly, by:

- (1) Establishing a refundable tax credit for employers who hire certain individuals at new or renovated hotel and resort facilities, that is equal to 4.5 percent of the wages paid to a qualified employee and makes the tax credit available to the employer for seven years after substantial completion of construction and renovation;
- (2) Amending the hotel and resort construction and renovation tax exemption as follows:
 - (A) Making it applicable to gross income only;
 - (B) Requiring pre-certification by the Department of Business, Economic Development, and Tourism, and authorizing a service fee for pre-certification;
 - (C) Clarifying that the general contractor and any subcontractors of the construction or renovation are signatory parties to collective bargaining agreements with the appropriate construction trade unions covering construction work in the State;
 - (D) Clarifying that construction or renovation costs shall not include costs incurred as the result of planned or routine maintenance or refurbishments that would ordinarily take place throughout the normal course of business; and
 - (E) Deleting provisions relating to ownership or operation of a hotel resort facility as eligible for the tax exemption; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.



Your Committee considers this measure a "work in progress" and encourages continued discussion of its merits and fiscal impacts as it moves through the legislative process.

As affirmed by the record of votes of the members of your Committee on Tourism that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 3048, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 3048, S.D. 1, and be referred to the Committee on Ways and Means.

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


DONNA MERCADO KIM, Chair



