

My name is John Gablehouse **and I am opposed to SB 2079 and HB 1707.**

I own two condominiums and my wife, Trisha manages both of them and we pay our State transient taxes in a timely and efficient manner through HotSpot Tax Service, an independent company, for a cost of \$20 a month.

Proposed Legislation should focus on those individuals who do not pay the proper transient taxes to the State of Hawaii and not penalize and place restrictions on those who have invested and comply with Hawaii Tax requirements.

We currently have a resident in Hawaii identified as our point of contact person and she does an excellent job responding to guest's needs. In addition, we have an onsite General Manager who also is available and helps in emergencies.

To my understanding, this legislation targets only non-resident owners and requires them to go through a state approved real-estate company/agent to manage personal units in hopes of collecting additional tax revenues. To comply with this legislation it will cost 20 to 40 percent of our gross annual rental income and create an unfair financial expenditure that may cause me to fall short of meeting monthly mortgage payments, which would eventually force me into foreclosure. We are currently upside down on the value of one condominium but continue to make the payments through rental income in hopes of holding on until the housing market stabilizes and it returns to its original purchase value.

This legislation will only result in rising tourist lodging fees; reduced condominium purchases by out-of-state investors and lower tax collections from those who elect to withdraw units from the transient accommodation market due to costly management fees and over- restrictive legislation. Thus causing a reduction in tourism which in turn would hurt the economy of the Big Island of Hawaii.

With Condominium values dropping and proposed legislation like this, the Hawaiian Dream is turning into the Paradise Nightmare. We are just average Americans trying to hang on to our investment until I retire from 40 years in the Seattle Fire Department. Our plan was to do vacation rental in our unit until we can retire here. We have ALWAYS paid our taxes, and have NEVER been late. Why punish the good with the bad?

Again I am **opposing SB 2079 and HB 1707** and would ask you to vote against the implementation of this legislation

My name is Patricia Gablehouse **and I am opposed to SB 2079 and HB 1707.**

My husband and I own two condominiums for which I manage both of them and we pay our State transient taxes in a timely and efficient manner through HotSpot Tax Service, an independent company, for a cost of \$20 a month.

Proposed Legislation should focus on those individuals who do not pay the proper transient taxes to the State of Hawaii and not penalize and place restrictions on those who have invested and comply with Hawaii Tax requirements.

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Again I am **opposing SB 2079 and HB 1707** and would ask you to vote against the implementation of this legislation

Barry L Abrahams
4399 N Placita de Sandra
Tucson, AZ 85718

Opposed

I am currently an executor for an estate that owns a transient rental property on the Island of Hawaii. We currently have an employee in Hawaii that takes care of our guests and services the transient rental.

In reading HB1707 there are several issues that I see with the proposed legislation. First, it attempts to address a supposed Tax collection issue by imposing a specific and potentially expensive solution on transient rental property owners when there already exists statutes and penalties for non-compliance with Hawaii Tax Laws.

Next it does not address issues such as:

1. Estates where the Trustee is a non-Hawaii Resident
2. Non-Hawaii Estates where the Trustee is a Hawaii resident
3. Property that is partially owned by a Hawaii Resident and Partially by a Non-Resident
4. Transient property which has existing bookings well into the future.
5. Transient property that is represented by a current real estate broker.

I recognize that some of these issues will be addressed by the specific language that is created to implement HB1707, however, these are substantial issues to current owners and Trustees of such property.

Finally, some of us are in a tenuous financial position where the added expense incurred by hiring a licensed representative makes continued ownership undesirable, however the current real estate market also makes it financially difficult to divest the property.

The proper approach is for the State of Hawaii, Department of Taxation to identify transient rental property owners who are not complying with Hawaii tax laws rather than imposing additional expenses on those of us who are complying, unless the real motivation has nothing to do with Tax compliance.

Sincerely,

Barry L Abrahams

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Sunday, February 12, 2012 3:33 PM**To:** CPCtestimony**Cc:** yeffi.v@gmail.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325
Testifier position: Oppose
Testifier will be present: No
Submitted by: yeffi vanatta
Organization: Individual
E-mail: yeffi.v@gmail.com
Submitted on: 2/12/2012

Comments:

Aloha,

I am an owner of a townhome at Waikoloa Beach Resort. I bought my townhome in 2006, at the height of the housing market. I interviewed many realtor / property managers on the island and hired a realtor firm at Waikoloa Village to manage my rental property. After six months, i fired the agency for gross mismanagement. The firm was unresponsive to inquiries directed at my property. The cleaning crew was random and items went missing. When i sent replacements, the box was stored unopened in the unit. Guests would arrive to find the unit locked with no one to contact. I was charged for supplies and expenses performed for other units. In short, this was a nightmare. When I terminated my connection with this realtor, I hired a manager who was dedicated to my unit and servicing my guests. Since 2006, I have paid the following in tax revenue to the state of Hawaii:

2006 \$3018
2007 \$4795
2008 \$2434
2009 \$1870
2010 \$2569
2011 \$3514

TOTAL 18,200

I employ a couple who live just up the hill from my condo. He is a handy man and she is a cleaner and they have been through some difficult times these last few years with the downturn of the economy, so the monthly income from managing my condo and the additional income from the cleaning helps them to make ends meet. I often take short 1 or 2 day bookings just to bring in the cleaning income for my on island hosts. It takes me a few hours every time to fill out the forms and send this payment to you. But i feel like i am contributing to the economy of the island i love. If i were required to fire my on island host family and use a realtor, i would choose not to rent out my unit and you would loose out on the revenue stream you are receiving from me.

I'll leave you with this one last thought. It is much easier for owners who live on the island to cheat on a cash bases, no paper trail, as they are present to collect the cash. There is a clear paper trail for every booking that i take, every deposit that i make, and you and the fed get your share.

This legislation is a bad idea. Please vote against it.

yeffi vanatta

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Sunday, February 12, 2012 5:02 PM

To: CPCtestimony

Cc: vistab103@shaw.ca

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325
Testifier position: Oppose
Testifier will be present: No
Submitted by: Reginald Smith
Organization: Individual
E-mail: vistab103@shaw.ca
Submitted on: 2/12/2012

Comments:

This bill will discourage investment in Hawaii real estate, and will cause a flood of properties being placed on the market. Prices will fall.

There are still distressed properties for sale and foreclosures. This bill will devastate current owners.

Statement Of Opposition HB 1707

We hope we are not too late to comment on these bills before the state. We are quite alarmed as we only found out about these bills today. We are owners of a property in Hawaii and rent out our property on VRBO, as well as to friends and family here in British Columbia. We urge you to oppose these bills.

We cannot believe the State of Hawaii would require us to retain a salesperson in Hawaii and force us to pay a commission to rent out our property to our acquaintances here in Canada. We believe these bills are being advocated by property managers located in Hawaii who are supporting these bills not to increase the collection of state taxes, but to simply prevent competition and increase their own revenues.

There has been great growth of owners around the world managing their own properties using new internet based management tools such as Homeaway and VRBO. This increased competition is beneficial for consumers and owners resulting in lower costs. It is the way of the future. In some ways these new bills would be similar to a bill proposed by video store owners to prevent owners of movies from renting them out online. These property managers suffer from an outdated business model.

We have only recently bought real estate in Hawaii, and in fact had been planning on purchasing an investment property here in Canada, with our real estate market & economy being much more stable than yours. However, we chose to invest our foreign dollars in your economy. For us, it was very risky to enter your market, considering all the real estate in foreclosure and falling prices. We very carefully studied the economics and estimated the costs vs. income

(management fees of 30-40% gross not figured in to the equation). I hope you can appreciate the harm this bill will do to your real estate market.

We had purchased a condo that had been run by a management company, and the unit had become tired and neglected. It had also been for sale for almost three years with no offers. We chose this one out of the numerous properties that were either distressed or foreclosed.

As owners managing the unit ourselves, we take pride in our property and spent close to \$100,000 renovating the unit and buying new furniture, etc. The state collected tax on our purchases and we provided revenue to business and jobs to contractors. As we were viewing properties with our realtor, he said thank god for Canadians bringing our dollars into Hawaii from stable banks and completing sales, helping to stabilize the real estate market. I almost feel that now after sinking our dollars into your economy, the state is now poised to sting us.

I am sure that the state of Hawaii benefits from investors such as ourselves putting our dollars into your state, and marketing your islands to our friends and family members who will now spend their tourism dollars in Hawaii instead of Mexico, Arizona, California or Florida. Do not underestimate the economic power that VRBO owners have to contribute to your economy. Affordable vacation rentals can only bring more visitors to Hawaii. You will chase us away with these bills. We use our personal networks to attract friends to vacation in Hawaii, who normally would not do a hotel-based trip there. They rent cars, eat in restaurants, buy goods, fill seats on airliners, take tours, etc. This can only be good for your economy.

We have dutifully registered to collect and submit state tax, and are in compliance with all Federal, State, and County regulations. As you are aware, the economics of real estate rentals is precarious. We are already operating at a loss with rental revenues not covering HOA fees, mortgage interest, electricity etc. Additional management fees will completely sink us. These bills will completely change the economics of buying real estate in Hawaii. We would likely have bought elsewhere if we knew this was on the horizon.

If you impose this bill, owners such as ourselves will have increased losses and we will be forced to sell, probably at a significant loss. It is probably outside owners like us that are buying Hawaii real estate stabilizing prices, which ultimately will preserve county property tax revenues. What would happen to real estate prices if all of us off shore owners had to sell, because 40% of rental income was taken out of real estate investors pockets? What would happen to property tax revenues to the counties?

Please do not make us regret significantly investing in your economy. Do not damage the fragile recovery of your real estate so close to the financial collapse, especially while economic growth is faltering. Defeat these bills.

Preserve State transient accommodation tax by enforcing existing legislation, not creating investment discouraging new legislation.

Reg & Sue Smith
69-1010 Keana Place B103
Waikoloa, Hawaii
General Excise Tax License & Transient Accommodations Tax
Hawaii Tax ID Number: W48207232-01

In Summary

If HB 1707 passes it will:

1. Discourage real estate investment in Hawaii. Reduced real estate investment will cause prices to fall even further than they have already fallen following the financial crisis.
2. Reduced real estate values caused by lower prices will erode the municipal tax base of counties.
3. Reduce spending related to property up keep and maintenance which will: reduce work for trades, reduce spending on building materials, reduce spending on furnishings and housewares.
4. Increase the cost of vacationing in Hawaii. This will result in loss of visitors, and reduce spending by visitors on activities in Hawaii such as dining, taking tours, purchasing gifts. Reduce the occupancy of air travel to Hawaii.

Reg & Sue Smith
69-1010 Keana Place B103
Waikoloa, Hawaii

Registered holders of:
General Excise Tax License
Transient Accommodatioons Tax Certificate
Hawaii Tax ID Number: W48207232-01

Residing in:
Victoria, B.C. Canada

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Sunday, February 12, 2012 4:41 PM

To: CPCtestimony

Cc: rod@mtbakerproducts.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325
Testifier position: Oppose
Testifier will be present: No
Submitted by: Rod L. Remington
Organization: Individual
E-mail: rod@mtbakerproducts.com
Submitted on: 2/12/2012

Comments:

My wife and I own a condo on the big island. My wife and her sister own two others and we pay all our required taxes and do rentals by VRBO. We carry a mortgage on one of the units and if required to pay an agent on the big island (30 - 50% of rental)we would have to sell the unit. We feel very fortunate to have these units and plan to retire and become a resident VRBO when it is financially possible. I see no advantage to enlisting an agent and pay their rates. We continually upgrade our units and work hard to keep them rented. In 2011 we had 85% occupancy. Our friends who use a local agent had 20% and did not make enough to pay the utilities. Adding layers of agents is not the answer to increasing your tax returns. Visitations to the Big Island have been down for the past few years, (it is just part of the down economy) just ask the hotel groups. The hotels have laid off many workers and struggle to create customers. I am opposed to this new law and urge the legislators to focus on enforcing current laws. If you don't know how much tax you are loosing due to non payment, how could you know how this new bill will improve your revenue? Giving more power to Real Estate Agents facing difficult times is not an answer to government taxes. It is just a way to increase their income. We use a local cleaning agency and local repair people that have always been very responsive. Our condos are in a very well managed group and we have excellent local on-site property managers. I oppose this legislation.

Re: Transient Rentals management by real estate agents

Thank you for taking the time to hear from one of the many individual owners who play a large part in drawing tourists to Hawaii, hosting them in a professional manner, and paying our taxes.

As owners of a vacation rental property in Waikoloa Beach Resort we are very much against HB 1707 and SB 2089. This would be disastrous for owner/self-managers, the Hawaii real estate market and Hawaii taxes. This bill seeks to bring more money into Hawaii. It will not. It makes the following erroneous assumptions:

- Owners who are paying taxes will continue with short term rentals, instead of looking for long term tenants, not renting them at all, or not reporting rents - going "underground".
- The same amount of rents will be generated by the professional managers as owners.
- The current owners will stay solvent while they pay the extra fees to managers.
- Owners will not sell their properties to buyers who remove them from the short-term rental market.
- Owners with illegal rentals who are not paying taxes, will comply with the new law.

This is why these assumptions are erroneous.

Like many self-managing owners, HB 1707 and SB 2089 would be an extreme financial hardship that would force us to sell our property. By renting our unit ourselves our occupancy averaged 84% over the past four years. We scramble to get bookings by posting on many websites, emailing past guests and personal contacts. I call inquires immediately, send many emails, and make deals. We give an excellent level of care. We have 133 positive reviews because we focus on only one rental. With over 500 bookings through the years, we have never double-booked or cancelled a guest's reservation. Professional managers do not have time or inclination to push to that level for each competing owner. They book under 50% and charge from 25-50% of the rents. At our 82% booking in 2011, our negative cash flow was barely manageable, about \$5000. If we had a property manager with at the high end, 50% occupancy and charged fees of 25% at the low end, in 2011 we would have had an unsustainable negative cash flow of \$30,200 and Hawaii would have made \$2352 less in taxes.

Many vacation rental owners bought when values and vacation rents were higher. Most units built in the last ten years are worth less than the owners paid new. In 2009 we sold one of our two units at a \$250,000 loss, because we no longer came close to breaking even on it. For the remaining unit, we paid \$460,000 unfurnished. It is now worth \$300,000 furnished. In our resort many mortgages are under water. There have been many foreclosures and short sales. There will be many more if this bill passes, which will drive market values down further, taking Hawaii property taxes with it. In a depressed market we see many sales to cash buyers as affordable second homes, who do not need to rent them often or at all and to buyers for permanent homes. Much less tax revenue is generated.

HB 1707 and SB 2089 assumes those who are illegal would comply. I believe that those who are currently willing to be illegal, would stay illegal and many more would be forced to go "underground" rather than pay additional fees for professional management they do not want, need or can afford.

HB 1707 and SB 2089 is unnecessary. Our guests pay with credit cards as do the majority of the rentals managed out of state. Merchant credit card companies track and will report transactions on a 1099 this year. This promotes compliance with tax laws without further compliance cost to Hawaii.

Please do not force us out of the rental business. We don't want to sell our beautiful villa. We have worked very hard to create a rental business and paid our taxes. Since we bought and registered our business properties with Hawaii in 2003 and 2004, we have collected and paid to Hawaii \$37,458 in GE and TA tax. With our 84% occupancy, we have brought many tourists and many tourist dollars to Hawaii. Like many others our revenues to the state would go down if HB 1707 AND SB 2089 AND SB 2089 passed.

HB 1707 and SB 2089 are not the answer to Hawaii's financial problems. We do not have the deep pockets Hawaii needs. Please look past the surface into the ramifications of this bill and oppose it.

If you continue to support this bill we propose the following amendments:

Rental units that are registered and have a history of paying taxes are "grandfathered-in" and exempt.

Real estate Agents who own and manage their own units are exempt.

Rental websites and all advertising for rentals would be required to post their Hawaii tax registration numbers. (Hawaii could have a publicly accessed website with addresses and registration numbers for the government agencies and potential guests to check.)

Owners who are not complying with GE and TA tax laws would have a one-time, 6-month amnesty period to register, and pay all back TA and GE taxes without penalty.

Mahalo,

Kathleen and James Ryan
Owners of 69-555 Waikoloa Beach Dr. #601, Waikoloa, HI
www.HawaiiResortRentals.com

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Sunday, February 12, 2012 4:59 PM

To: CPCtestimony

Cc: Jan@SunshineRainbows.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325

Testifier position: Oppose

Testifier will be present: No

Submitted by: Jan Shields

Organization: Individual

E-mail: Jan@SunshineRainbows.com

Submitted on: 2/12/2012

Comments:

Do not pass this bill. The financial consequences will be felt on all islands.

Aloha Senator Green, and Representative Evans, and all legislators,

Regarding the **Bill scheduled to be heard by CPC/JUD on Wednesday, 02-15-12 2:00PM in House conference room 325:**

http://www.capitol.hawaii.gov/measure_indiv.aspx?billtype=HB&billnumber=1707

http://www.capitol.hawaii.gov/measure_indiv.aspx?billtype=SB&billnumber=2089

According to Home Away, "Currently, pending before Hawaii Legislature are two bills, SB2089, and HB 1707, that will REQUIRE YOU TO GIVE UP MANAGING YOUR OWN PROPERTY and have a realtor collect your income rather than you." Home Away states that action is urgently needed to voice opposition to the passage of these bills. <http://community.homeaway.com/message/16289>

"This is for all "non-resident" owners regardless as to whether they have followed the law and paid taxes. The new laws REQUIRE you to only rent through a realtor/property manager and the realtor MUST collect ALL your rental money (you do not directly receive the money from rental of your property). You may not know that property managers in Hawaii charge up to **40% of your gross revenues**. This would be a huge financial loss to property owners. There is no provision in the law to allow "non-resident" owners who have already been operating legally (getting a Hawaii business license, tax I.D. number and paying all collected taxes) to be exempt from complying with this new law.", according to Home Away.

This is unconstitutional!

We Maui Vacation Condo Owners know why the state government wants realtors to collect our income. Many of these realtor managers will charge us up to 40% of our income!! There would be no reason to stay in business. There are thousands of Vacation Condo Owners on Maui, Hawaii Island and Kauai. If you pass this bill, then we will have to sell our businesses. There will be a glut of real estate and prices will crash. This may benefit those who live on Maui, who could then purchase these condos inexpensively. However, we must remember that our guests spend many millions of dollars on Maui. So all of the jobs that the local people have, will go away along with our tourists. There is a whole culture of tourists who love to go to Maui, the Big Island, and Kauai, and stay in condos. The government cannot control what these tourists enjoy. The government

cannot force them to go to Oahu instead. The government can only stop them from coming to Maui, Hawaii Island and Kauai.

As usual, we note that none of our Maui Legislators have bothered to do a thing about this to help us out. In fact, they voted for it!!! No surprise there, as most of our Maui legislators are certainly owned by the Oahu unions. Many of us can't vote, so we are the ones who do get taken advantage of. However, the Maui workers are the ones who lose, every time, and they do vote! It is their jobs that are lost.

Let me explain:

First, the state government raised the taxes so much that guests cannot afford to come to Hawaii. I have had guests budget their honeymoon, and then when they find out the taxes, tell me that is above their budget. They don't come at all then. They take their tourist dollars somewhere else that doesn't gouge them so much. The legislature needs to realize that tourists are not endless sources of income. A Hawaiian vacation can become unaffordable, and then we all lose.

Secondly, Oahu has tried to stop Maui from having a hospital so that all sick patients will be flown to Oahu hospitals. Our patients are either insured, wealthy or both. Therefore, this helps the Oahu Medical Tourism Industry. Maui patients bring millions of their medical dollars to Oahu. This situation brings patients and families who spend money on Oahu hotels, Oahu rental car agencies, Oahu hospitals, Oahu restaurants and so forth. Senator Green, as a medical doctor, you know how well that works out for the patient. This is especially true when our government hospital keeps the patients on island where they cannot get the proper care, for three days prior to transfer so they can get their slice of the medical money pie.

Thirdly, the hotel unions tried to force the Maui wedding industry off of our beaches, and into the Oahu hotels. We love our Maui weddings on the beaches. They are lovely to watch and add to the flavor of our island. However, these tourists don't come just one or two people at a time. The wedding guests bring many wedding guests with them. They spend plenty on local wedding industry companies from limousines, restaurants, florists, photographers, and of course, our Vacation Rentals. Also, these wedding guests don't come all this way just to turn around and go home again. They stay for a while. This brings a lot of additional wedding tourist dollars to Maui, thus the state. They don't want an expensive Oahu hotel wedding. They want to get "Maui'd", on a beach, at sunset. There are a lot of mainland beaches that are cheaper if we want to chase them away!

Lastly, you are trying to force the very lucrative Maui Condo Industry back into the Oahu hotel industry. We know what a powerful union the hotel industry is. We also know that tourism on Maui is growing by leaps and bounds. We see which way this is going and why. So many workers will lose their Maui jobs if this happens.

The problem is this: There are many people who want to vacation on Maui. They like Maui. They will not necessarily just go to Oahu because they can't get a condo on Maui. They will go to the Caribbean, California or to Florida, etc. They will take all of that money they spend on Maui that benefits the state, with them. How is that a good idea? If Maui gets a tourism black eye, the state gets a tourism black eye. Dr. Green, I know you personally. You are intelligent. Why would you do this to your own island of Hawaii?

Many people from Maui don't see what is going on. Having the government only one island is an ideal way for the legislature to do whatever benefits them. No one on the other islands knows what is going on or why. Therefore, I will send this letter to all of the newspapers on the islands. This certainly affects the Big Island greatly, and Kauai too.

To my fellow Hawaiians, we have an election coming up. If you continue to vote for legislators who only take care of Oahu, then you will be the one who doesn't have a job. To my Oahu neighbors, if you try to force all of the jobs to your island, you will also lose. Much of the money that supports Oahu comes from your neighbor islands, especially Maui. This legislation is over controlling. This sort of legislation is just bad politics.

February 13, 2012

Opposed

I am submitting my testimony to **HB 1707** and **SB 2089**.

For several years, my husband and I have owned a rental property on the Big Island. Before renting this property, we applied for a business license. We took the time to understand the GE and TA taxes. We collect and submit these two taxes on time and as required. **We follow the rules.**

Because I manage the rental, I am acutely aware of our cash flow and accounts receivable. I am able to manage and pay our mortgage, association dues, property taxes and other related expenses in a timely manner. Having a real estate agent manage our property would destroy our cash flow and ability to own this rental unit.

The irony of this proposed legislation is that the delinquent association owners and foreclosure owners in my condo development are REAL ESTATE AGENTS!! YES! These same people who are proposed to manage MY well run property are actually the stinkers of our development! Real estate agents who mismanaged their risk and own finances and have been a plague on our development. Our development is working to purge the real estate agent owners—the plague in our development—and slowly our association income levels are increasing and competent owners are taking over the units.

MANY OF THESE DISTRESSED REAL ESTATE AGENTS RENTED THEIR UNITS AND NEVER COLLECTED GE OR TA TAXES!! *Oh the irony of this legislation!!!*

Before taking any further action on this legislation, I ask that the Hawaii Legislature conduct research into how many State of Hawaii foreclosures were owned by real estate professionals. I think the results will be shocking!

I ask the Hawaii Legislature to please toss out this proposed legislation. It was not introduced in good faith. This legislation will

be devastating to already stressed and strained families who are just staying afloat in this economy.

Thank you for your consideration.

Christine Hughes

Homeowner, Big Island

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Sunday, February 12, 2012 6:10 PM

To: CPCtestimony

Cc: kathy@maui.net

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325
Testifier position: Support
Testifier will be present: No
Submitted by: Kathy Englert
Organization: Rentals Maui Inc.
E-mail: kathy@maui.net
Submitted on: 2/12/2012

Comments:

I am a small business owner of vacation rentals on Maui. I currently manage 122 vacation rentals. I am a licensed Realtor and member of the BBB. I am writing to you in support of House Bill 1707. The vacation rental business by individuals is becoming epidemic. Not only are they not collecting the GET and TAT taxes, they are not using anyone competent to handle their complaint issues once on island. I strongly believe any non island owner of Real Property be required to use a licensed Realtor with the State of Hawaii.

Thank you for your consideration in this matter.

Kathy Englert
808 205 6060

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Sunday, February 12, 2012 7:03 PM

To: CPCtestimony

Cc: msiroky@gci.net

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325

Testifier position: Oppose

Testifier will be present: No

Submitted by: Mary Siroky

Organization: Individual

E-mail: msiroky@gci.net

Submitted on: 2/12/2012

Comments:

I live in Alaska and own rental property on the Big Island. I have owned this property for about 7 years and have been successful at paying my mortgage and MY TAXES by handling the rental myself. If you impose a requirement prohibiting me from managing my property in the manner that makes the best economic sense for me, I will sell and look to invest in a state that allows me that freedom. Remember as you think about this bill - I am spending money in Hawaii upgrading my property, keeping it well stocked (better stocked than any management company would do - I know I have rented from them) - all that is good for your economy. I pay my taxes. In the computer age you must be able to develop programs/databases that will tell you who hasn't paid their taxes. Go after them - penalize them heavily - but don't drive me away.1

Mary Siroky
907-321-0550

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Sunday, February 12, 2012 7:12 PM

To: CPCtestimony

Cc: Julieamonahan@yahoo.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325

Testifier position: Oppose

Testifier will be present: No

Submitted by: Julie Monahan

Organization: Individual

E-mail: Julieamonahan@yahoo.com

Submitted on: 2/12/2012

Comments:

This is not the best way to address compliance issue. It will mean that many owners will be in a negative cash flow situation since a property mgr will charge about 40 percent. This will further depress the housing market. In addition, this bill singles out out of state owners ...why wouldn't it apply to all owners that own rental property?.

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Sunday, February 12, 2012 9:11 PM

To: CPCtestimony

Cc: californiaamy@charter.net

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325
Testifier position: Oppose
Testifier will be present: No
Submitted by: Amy Siroky
Organization: Individual
E-mail: californiaamy@charter.net
Submitted on: 2/12/2012

Comments:

I am a vacation rental owner on the Big Island, and I diligently pay my GE and Transient taxes. I manage the property on my own in order to eliminate or minimize an amount I pay to a management company. With the downturn in the economy, we have had several bad years, but I am making ends meet.

If I had to turn the management over to a property management or realtor and lose approximately 20-40% of my rental income, I am not sure I would be able to continue to own the property. I think this might be the case with many vacation rental homeowners; that could ultimately hurt the Hawaiian economy even more. I want to continue to own the properties and see them through these tough times.

HB 1707 is the WRONG solution to the problem. These bills will hurt the homeowners who are adhering to the rules—whether they are resident or non-residents so that you are not discriminating against a class of citizens. If a vacation rental owner is not paying their taxes now (again, whether they are a resident or a non-resident), requiring them to use a real estate management company or realtor is not going to incent them to pay the taxes. I suggest:

- Education to vacation rental owners when they purchase their properties through the escrow process by both the state and the counties
- Enforcement of the existing laws (Chapter 237D) that already provides penalties—no need for NEW laws
- Develop computer database that compares/finds non-occupant owners and compares that list to those paying TA/GE taxes.

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Monday, February 13, 2012 2:50 AM

To: CPCtestimony

Cc: elydahan@gmail.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325
Testifier position: Oppose
Testifier will be present: No
Submitted by: Eliav "Ely" Dahan
Organization: Individual
E-mail: elydahan@gmail.com
Submitted on: 2/13/2012

Comments:

Respectfully, I believe that HB 1707 will not only significantly damage my business, but it will also hurt Hawaii's economy.

I can see why proponents, especially local real estate agents, would benefit by extracting commissions they are presently not earning. But that isn't a reason to go backwards against the current of efficiency generated by using direct to tourist technology such as VRBO and similar Internet sites. I have thousands of guests who love booking directly through me as OWNER, and who hate dealing with the Agency problems of booking through third parties.

I have always paid all GE and TA taxes on time. As a business school professor at MIT and UCLA, I can attest that HB 1707 is counter to Hawaii's economic interests both in the short and long run. If one of my MBA's proposed this policy as part of a case study on Hawaii tourism, I don't believe that the idea would survive a challenge by fellow students.

Here are four reasons why Hawaii will lose from this measure:

- 1) The realtors effectively will extract a "tax" in the form of commissions. Tax something, and you get less of it. I will generate 20% to 30% lower taxable revenue under this measure, and TA and GE revenues will drop like a lava rock.
- 2) This will kill many real estate sales as it will end the ability of future unit owners to rent out their own units without a new "partner". Had I known of such a possibility as HB 1707, I would not have purchased any of my three units. The already tough Real Estate market will be devastated, and likely drop another 25% to 40%. HB 1707 will not only hurt current owners, but also real estate agents and SELLERS as the number of transactions will diminish greatly. Potential BUYERS will be turned off and will back off of buying. This could lead to a real estate depression for all revenue properties.
- 3) Tourism will get badly hurt. Thousands of weekly guests will seek alternatives to the accommodations I have been offering because the prices will go up and service will go down. Prices will have to rise to account for the 20% - 50% charged by third party agencies. Service level will go down because these agencies have lower incentives for great service and quality than do owners. And with a "monopoly" imposed by HB 1707, even their prior service level will go down. This is a massive REDUCTION in competition, and will hurt

tourists/consumers. Think of it this way, why is VRBO such a smashing success?

4) Hawaii employment will get hurt further. I currently hire a dozen Hawaiian residents to greet guests, maintain and clean my properties, and provide various services. I will have to lay off at least half of these people if HB 1707 passes. They will be directly hurt by this bill. The agencies will not make up this employment loss based on my six years working through such agencies. Such agencies are cost-minimizers, not service maximizers. They do not have vested interests in building the brand equity of each unit of real estate. As an owner, I am a revenue-maximizer and I am willing to employ more people for a higher level of service. It's like the difference between buying Apple products directly from Apple or buying generic technology from a third party.

Please do not pass HB 1707. It will hurt (1) Hawaii, (2) the people I hire, (3) real estate buyers, sellers and their agents, (4) tourists considering visiting our beautiful islands, and (5) me and other tax-generating entrepreneurs like me.

At the very least, please grandfather in owners who has been paying full TA and GE taxes for the past five+ years so that HB 1707 doesn't bankrupt us.

Mahalo for considering my comments in your deliberations.

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Monday, February 13, 2012 4:35 AM

To: CPCtestimony

Cc: idivedeep@aol.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325
Testifier position: Oppose
Testifier will be present: No
Submitted by: Norb Wolszon
Organization: Individual
E-mail: idivedeep@aol.com
Submitted on: 2/13/2012

Comments:

Do NOT pass this bill. This will have a very negative impact on property values, tourism, the entire state, and ALL people of Hawaii. I again urge you not to pass this bill!!!!!!

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Monday, February 13, 2012 4:52 AM

To: CPCtestimony

Cc: colettewolszon@hotmail.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325

Testifier position: Oppose

Testifier will be present: No

Submitted by: Colette Wolszon

Organization: Individual

E-mail: colettewolszon@hotmail.com

Submitted on: 2/13/2012

Comments:

DO NOT PASS THIS BILL. THE FINANCIAL CONSEQUENCES TO ALL ISLANDS WILL BE DEVASTING!

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Monday, February 13, 2012 7:36 AM
To: CPCtestimony
Cc: kevinbrown9999@yahoo.com
Attachments: OpposeHB1707Kbrown.doc (14 KB)

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325
Testifier position: Oppose
Testifier will be present: No
Submitted by: Kevin Brown
Organization: Individual
E-mail: kevinbrown9999@yahoo.com
Submitted on: 2/13/2012

Comments:
Dear Sirs,

As a homeowner of a second home in the state of Hawaii for the past 12 years, I am strongly opposed to proposed Bills HB 1707 and HB 2089.

I have been managing the renting out of our home as a vacation rental and diligently collect and pay all required TAT and GE Taxes. I'm sure the majority of responsible owners who handle the renting and collecting of monies do the same for their property. Without factual documentation or evidence to support widespread abuse of non-payment of TAT taxes as suggested, especially given that there is no data supporting this speculation is totally unacceptable.

The majority of responsible owners should not be punished as the result of mere speculation and no actual research or supporting factual information.

This bill serves to merely create another ungoverned intermediary such as is used for 1031 exchanges which recently have had widespread cases of misuse of funds, theft and lengthy and costly prosecution of the offenders.

The same issues have happened in several states where so called official "Property Managers" aka Licensed Real Estate Managers who manage rental units have absconded with millions of dollars of owners rent money. There are simply no established systems in place to govern these entities. Clearly what HB1760 would create is simply another void and NOT a solution!

Perhaps instead of passing this flawed bill we should be looking at how to better monitor existing rentals and ensure tax monies are properly collected and paid.

Lastly, the thousands of By Owner vacation rental properties in the State of Hawaii bring in millions of dollars to the Hawaii economy. Many owners will no longer be able to afford the 40% fee "Rental Agency's" charge and will no longer be able to afford there properties.

I strongly urge you to not pass this flawed bill that will not solve any revenue problems and will only create another one. What procedures will be in place to monitor the designated Realtors or Salespersons insuring proper collection and payment of taxes is adhered to. This proposed bill does NOT fix anything! It only serves to punish the struggling homeowners and will further deteriorate the Hawaii

Dear Sirs,

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Sincerely,

Kevin Brown

541-382-0093

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Monday, February 13, 2012 7:41 AM
To: CPCtestimony
Cc: marilyn7b@yahoo.com
Attachments: OpposeHB1707Mbrown.doc (14 KB)

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325
Testifier position: Oppose
Testifier will be present: No
Submitted by: Marilyn Brown
Organization: Individual
E-mail: marilyn7b@yahoo.com
Submitted on: 2/13/2012

Comments:

Dear Elected Officials,

As a homeowner of a second home in the state of Hawaii for the past 12 years, I am strongly opposed to proposed Bills HB 1707 and HB 2089.

I have been managing the renting out of our home as a vacation rental and diligently collect and pay all required TAT and GE Taxes. I'm sure the majority of responsible owners who handle the renting and collecting of monies do the same for their property. Without factual documentation or evidence to support widespread abuse of non-payment of TAT taxes as suggested; especially given that there is no data supporting this speculation is totally unacceptable.

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I strongly urge you to not pass this flawed bill that will not solve any revenue problems and will only create another one. No procedures will be in place to monitor the designated Realtors or Salespersons insuring proper collection and payment of taxes is adhered to. This proposed bill does NOT fix anything! It only serves to punish the struggling homeowners and will further deteriorate the Hawaii

housing and tourism markets.

Sincerely,

Marilyn Brown
marilyn7b@yahoo.com

541-382-0093

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Monday, February 13, 2012 8:46 AM

To: CPCtestimony

Cc: davewil@mc.net

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325
Testifier position: Oppose
Testifier will be present: No
Submitted by: David M Williams
Organization: Individual
E-mail: davewil@mc.net
Submitted on: 2/13/2012

Comments:

What a great start! But why not expand this to other things. Perhaps private auto owners should be required to sell their cars through licensed car dealers. And how about all of those EBAY and Craigs List sales? Perhaps they should only be allowed through licensed retailers!

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Monday, February 13, 2012 9:59 AM

To: CPCtestimony

Cc: bodhaine@comcast.net

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325
Testifier position: Oppose
Testifier will be present: No
Submitted by: Randy and Cathy Bodhaine
Organization: Individual
E-mail: bodhaine@comcast.net
Submitted on: 2/13/2012

Comments:

My wife and I currently are property owners of a transient accommodation rental in the state of Hawaii.

We OPPOSE both of the proposed bills (HB 2089 and SB 1707).

From our review of information in support and opposing these bills it seems as if a few property managers are attempting to convince Hawaii legislative officials that the mainland owners are evading their tax obligations thus creating a huge loss of tax revenue. While there may be a very few property owners avoiding their tax obligation we do not agree that passing the proposed bills is the way to address the problem, if in fact there is a huge tax evasion problem.

The Internet has successfully created an advertising venue that has made it possible for property owners and property managers, to manage their units effectively. It would seem prudent that the taxation authority should be able to just as easily cross reference by the Homeowner's last name whether each and every owner is filing and paying the GET and TAT taxes.

To attempt to tackle this issue by taking away the rights of the majority who do comply is in our opinion counterproductive to Hawaii tourism.

Please DO NOT listen to the very few property managers who believe in the 'ghost' of loss of tax revenue from mainland owners. Please DO listen to Hawaii tourism authority, the HI Association of Realtors and RICO as these agencies are on the front line of the taxation issues.

Randy and Cathy Bodhaine

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Monday, February 13, 2012 10:40 AM

To: CPCtestimony

Cc: ajh@mauimahana.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325

Testifier position: Oppose

Testifier will be present: No

Submitted by: Alicia Hopkins

Organization: Individual

E-mail: ajh@mauimahana.com

Submitted on: 2/13/2012

Comments:

This bill will hurt owners who are just making ends meet. Having to pay someone to collect rents for us would cause too great of an expense. I pay my taxes and have a on island property manager.

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Monday, February 13, 2012 10:46 AM

To: CPCtestimony

Cc: rmalibu@charter.net

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325

Testifier position: Oppose

Testifier will be present: No

Submitted by: Robert Rubin

Organization: Individual

E-mail: rmalibu@charter.net

Submitted on: 2/13/2012

Comments:

Do not pass this bill. The financial consequences will be felt on all islands
And i believe it to be unconstitutional

OPPOSE Bills SB2089 and HB1707:

At all levels of government, whether it be state or federal, the consequence for not paying taxes when due is to impose interest/penalties on past due amounts. If it is willful fraud, the agency will then pursue criminal action. At no level does any other government agency require that your salary/income be received by a third party. We all are bound by law to pay taxes that we owe and if we do not comply those same laws impose penalties (interest, fines, or jail for fraud). Hawaii already has laws that require any person selling accommodations to collect Transient Accommodations tax (TAT) and GE tax. If there is a non-compliance of that law, the "crime" is for not paying one's taxes.

HOWEVER, these new proposed laws now make the "crime" not hiring a realtor/property manager and the penalty for non-compliance is up to \$1,000 a day!!! If the state's motive is to collect taxes, there are already laws to do that and enforcement is what is needed, not a law that property owners must hire a realtor manager and then relinquish all rights to manage their own property.

AND these bills are directed ONLY to "non-residents", which appears to be extremely discriminatory and unconstitutional! (just because someone lives outside of the State, they are presumed to be non-tax payers? or conversely, just because someone lives there they are following the letter of the law?) While it may be a good idea for non-residents to employ an on-island manager for guest convenience, it should not be a requirement that the on-island manager collect all rental income and arrange for tax compliance.

Laws are already in place to address payment of taxes -- why not enforce them instead of introducing unnecessary bills?

~ Janai Hendra
(a law-abiding tax payer)

OPPOSE Bills SB2089 and HB1707:

At all levels of government, whether it be state or federal, the consequence for not paying taxes when due is to impose interest/penalties on past due amounts. If it is willful fraud, the agency will then pursue criminal action. At no level does any other government agency require that your salary/income be received by a third party. We all are bound by law to pay taxes that we owe and if we do not comply those same laws impose penalties (interest, fines, or jail for fraud). Hawaii already has laws that require any person selling accommodations to collect Transient Accommodations tax (TAT) and GE tax. If there is a non-compliance of that law, the "crime" is for not paying one's taxes.

HOWEVER, these new proposed laws now make the "crime" not hiring a realtor/property manager and the penalty for non-compliance is up to \$1,000 a day!!! If the state's motive is to collect taxes, there are already laws to do that and enforcement is what is needed, not a law that property owners must hire a realtor manager and then relinquish all rights to manage their own property.

AND these bills are directed ONLY to "non-residents", which appears to be extremely discriminatory and an unconstitutional violation of the Commerce Clause of the US Constitution! (just because someone lives outside of the State, they are presumed to be non-tax payers? or conversely, just because someone lives there they are following the letter of the law?) While it may be a good idea for non-residents to employ an on-island manager for guest convenience, which is already provided for in the laws, it should not be a requirement that the on-island manager collect all rental income and arrange for tax compliance. This simply adds unnecessary costs to the already high cost of providing vacation rental property in Hawaii.

In addition, at a time when property values are extremely depressed, rental income down significantly over the past 4 years, and occupancy down, these bills are just another impediment to being able to invest in Hawaii property. They will have a dampening effect on the already depressed market, and likely cause more defaults.

Laws are already in place to address payment of taxes -- why not enforce them instead of introducing unnecessary bills?

Kevin Hendra, CPA
58 Viaggio Lane
Foothill Ranch, Ca. 92610

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Monday, February 13, 2012 11:37 AM

To: CPCtestimony

Cc: markm@whalersrealty.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325
Testifier position: Support
Testifier will be present: Yes
Submitted by: Mark Marchello, R
Organization:
E-mail: markm@whalersrealty.com
Submitted on: 2/13/2012

Comments:

Please Support HB 1707

VRBO/HomeAway has made it easy for owners to self manage.

VRBO/HomeAway is now a billion dollar publicly traded company that is expanding world wide. They make \$400-\$600 per owner and are spending huge amounts of money in R&D creating top of the line software for these owners. They have automated the bookings, calendars, credit card services, updates to cleaners, internet key codes for special front door locks, guests comment reviews, they also offer travel insurance and security damage insurance. It's a great software program that VRBO is making allot of money on and its improving every day. However the rental monies go directly to the owners on the mainland and there is no way for the State to track the rental rates, dates, gross income and if taxes are collected and paid. No 1099's are issued.

We were advised by our council to require all monies generated whether by the owner source or our company include the state tax and flow through our books thus providing an accurate 1099 at year end.

If the monies don't flow through a professional brokerage they also aren't held in a non-comingled account for the guests making it difficult for issues to be resolved that may require they be moved or credited. There are a multitude of complications that arise weekly in vacation rental management from construction noise next door, to refrigerators and AC's breaking down.

One other point to make is that all these reservations are setup by the owners not by employees in the State of Hawaii. Thus not only do the people of Hawaii not see the excise and transient taxes that are needed to support all these properties they are also loosing jobs.

Greatly appreciate your consideration.

Sincerely,

Mark A Marchello, R
Whalers Realty Management

You may also be interested to know that VRBO/HomeAway bought all the software companies who support Management companies in the US last year. They own the Software company HomeAway/Instant Software that supports Whalers Realty Management, Sullivan Properties, Chasin- Rainbows, etc, etc., talk about taking over the industry and the competition from the inside out!

Not sure where all this is going but believe its very important for the State to track these owners monies and make sure the taxes are paid.

Greatly appreciate your efforts on behalf of the people of Hawaii.

Mark

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Monday, February 13, 2012 11:57 AM

To: CPCtestimony

Cc: dotlars@frontier.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325
Testifier position: Oppose
Testifier will be present: No
Submitted by: Dorothy Larsen
Organization: Individual
E-mail: dotlars@frontier.com
Submitted on: 2/13/2012

Comments:

I am writing with concerns about this proposal that is being presented to you. My sister and I own two condos together, and have for the past six years. Until last month we have used a property manager to oversee our properties, but we also were using VRBO as a source to rent out our properties. We take great pride in our condos, and have actively pursued renting them ourselves. Our property manager rented our properties for a total of two weeks last year. We could not afford to keep our condos if we relied on his services. We also paid an \$85 fee to him for each rental, even if we used the properties ourselves. His services were of no benefit to us. We use this property as a business and have maintained complete records including those of quarterly taxes which are paid faithfully.

By enacting this proposal, the only benefit is going to be to the real estate industry. Please consider the impact this is going to have on the home owners trying to rent their properties, and to the economy of the state. We have already seen the effect that defaulted properties has had on the economy. If you are concerned about taxes, perhaps devising a system to track rentals would be in everyone's best interest, not lining the pockets of only the property managers.

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Monday, February 13, 2012 12:00 PM

To: CPCtestimony

Cc: fscrooner@hotmail.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325
Testifier position: Oppose
Testifier will be present: No
Submitted by: David Goldson
Organization: Individual
E-mail: fscrooner@hotmail.com
Submitted on: 2/13/2012

Comments:

This bill is discriminatory toward nonresidents who have chosen to invest in Hawaii real estate.

At all levels of government, whether it be state or federal, the consequence for not paying taxes when due is to impose interest/penalties on past due amounts. If it is willful fraud, the agency will then pursue criminal action. At no level does any other government agency require that your salary/income be received by a third party. We all are bound by law to pay taxes that we owe and if we do not comply those same laws impose penalties (interest, fines, or jail for fraud). Hawaii already has laws that require any person selling accommodations to collect Transient Accommodations tax (TAT) and GE tax. If there is a non-compliance of that law, the "crime" is for not paying one's taxes.

HOWEVER, these new proposed laws now make the "crime" not hiring a realtor/property manager and the penalty for non-compliance is up to \$1,000 a day!!! If the state's motive is to collect taxes, there are already laws to do that and enforcement is what is needed, not a law that property owners must hire a realtor manager and then relinquish all rights to manage their own property.

AND these bills are directed ONLY to "non-residents", which appears to be extremely discriminatory and an unconstitutional violation of the Commerce Clause of the US Constitution! (just because someone lives outside of the State, they are presumed to be non-tax payers? or conversely, just because someone lives there they are following the letter of the law?) While it may be a good idea for non-residents to employ an on-island manager for guest convenience, which is already provided for in the laws, it should not be a requirement that the on-island manager collect all rental income and arrange for tax compliance. This simply adds unnecessary costs to the already high cost of providing vacation rental property in Hawaii.

In addition, at a time when property values are extremely depressed, rental income down significantly over the past 4 years, and occupancy down, these bills are just another impediment to being able to invest in Hawaii property. They will have a dampening effect on the already depressed market, and likely cause more defaults.

Laws are already in place to address payment of taxes -- why not enforce them instead of introducing unnecessary bills?

O PPOSED

Dear Chairman Herkes, Chairman Aragan, Vice-Chairman Pyamane, Vice-Chairman Hoads, Members of the CPC/HUD Committees,

I am a mainland-based owner of a Vacation rental home on Oahu. I operate without a permit. I have been doing so since 2000 and I have paid my TA/GE taxes (about \$4,500 on average) for each year since. My house generates well over \$150,000 in tourism economy for Oahu. My housekeeper pays her UH expenses with the money she makes. I am on great terms with my neighbors.

On Wednesday you will be hearing testimony on HB1707, which aims to collect some \$35 million in TA/GE taxes from out-of-state owners of vacation rentals.

PLEASE DON'T BE FOOLED! This bill is nothing but a back-handed attempt at shutting down vacation rental on Oahu and other places where they are not permitted. HB1707 will COST the State millions of dollars in annual TA/GE taxes that are currently being paid by out-of-state owners like me. Under HB1707, in its current form, I will have no choice but to go underground because realtors cannot legally represent me. No doubt all other Oahu-based TA/GE-paying owners will also go underground. That will cost close to \$6 million in TA/GE taxes from Oahu alone!

Just look at the people who submitted testimony in support of this bill, including Stu Simmons and James Bartley, two of Oahu's fiercest opponents of vacation rentals. Also Gery Monck, the bill's primary proponent. His company exclusively represents condos on various islands. He would like nothing better than to get rid of B&Bs and TVUs that compete with his business.

The \$35 million is just a big carrot to lure well-meaning legislators into approving this bill. In my estimate, the state could collect only about \$2

million in additional taxes at best if all non-compliant non-resident owners were found. In reality the bill will cost millions in lost TA/GA taxes.

I too want every vacation rental owner to pay the TA/GE taxes because those who do not have an unfair competitive advantage over me. The current bill is seriously flawed. To make this bill effective, please push for the following amendments:

- 1) Apply the legislation to ALL vacation rentals. Otherwise the bill would be thrown out by the courts on grounds of discrimination. I am in contact with a number of mainland owners and we will file suit against this bill in its present form as it would settle us with business expenses not forced onto our local competitors.
- 2) Stipulate that all vacation rental owners must have a business license. This will ensure they will comply with the law and pay the taxes.
- 3) Stipulate that the law can only be enforced where such permits for short-term vacation renting are available. In its current form, realtors on Oahu, Maui and Big Island CANNOT represent vacation rental under this bill. They would be subject to large fines under Oahu's RICO law. This proposed stipulation would encourage Oahu and other islands to address the permitting issue.
- 4) Grandfather in all owners (local and non-resident) who have been paying their TA/GE taxes. Why should they be punished for following the law?

During your hearings, please ask the following questions to get to the real numbers. The Dept. of Taxation should have this data:

- 1) How did the proponents arrive at \$35 million figure

- 2) How many active TA accounts does the Dept. of Taxation have on record?
- 3) How many of those are Condos, how many are B&Bs, how many are single family homes?
- 4) How many of those are located outside hotel zones like Waikiki.
- 5) How many of those are owned by non-residents?
- 6) How many non-resident owners pay TA/GE taxes.
- 7) How much is current being collected from these accounts.

Thank you in advance for your consideration.

Ken Johnson

Oahu Vacation Rental Owner

Sunnyvale CA.

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Monday, February 13, 2012 12:21 PM

To: CPCtestimony

Cc: capogw@verizon.net

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325
Testifier position: Oppose
Testifier will be present: No
Submitted by: Gary Capo
Organization: Individual
E-mail: capogw@verizon.net
Submitted on: 2/13/2012

Comments:

Please oppose this. This is unfairly gives preferential treat to a privileged group of individuals.

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Monday, February 13, 2012 12:36 PM

To: CPCtestimony

Cc: capogw@gmail.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325
Testifier position: Oppose
Testifier will be present: No
Submitted by: gary capo
Organization: Individual
E-mail: capogw@gmail.com
Submitted on: 2/13/2012

Comments:

This gives unfair and perhaps unconstitutional preferential treatment to a single group of individuals.

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Monday, February 13, 2012 1:13 PM

To: CPCtestimony

Cc: mstainer@sd70.bc.ca

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325
Testifier position: Oppose
Testifier will be present: No
Submitted by: Mark A Stainer
Organization: Individual
E-mail: mstainer@sd70.bc.ca
Submitted on: 2/13/2012

Comments:

I am a resident of Canada and recently purchased a vacation/ retirement condo on the big island. We currently contract with a wonderful rental management firm in Kona. Even though we do have a rental contract, I am concerned about possible future restrictions. If I understand this legislation correctly this would prevent family or friends on the islands from acting in a managing capacity. It would also restrict us from contracting with an unlicensed individual. Given sites such as VRBO and My Home renting vacation property over the internet is very efficient and cost effective. I feel this would greatly limit ones capacity to act on one's own behalf. The added cost of contracting with a rental agency does add a significant burden. We currently pay a 28% commission. Even though the proposal does not currently affect us I do worry that at a time when Hawaii is encouraging visitors and in fact seeing an upward trend in travel and in capital purchases this will not only impact current owners and their ability to maintain a home but may also deter future purchasers of property. This legislation would in my mind be an added limitation; I am concerned that it would restrict the personal choice of non residents. Thank you for your consideration of this submission.

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Monday, February 13, 2012 1:14 PM

To: CPCtestimony

Cc: svandiamo99@gmail.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325
Testifier position: Oppose
Testifier will be present: No
Submitted by: Sylvia Remington
Organization: Individual
E-mail: svandiamo99@gmail.com
Submitted on: 2/13/2012

Comments:

I am writing to you with my concerns regarding the HB 1707 bill. Hopefully, you will look at this from the property owner's side. We own 3 condos on the Big Island and after a bad experience with a management company choose to rent our units ourselves through VRBO. We used Waikoloa Vacation Rentals for several years, however they would rent our units only possibly 3 weeks out the year. If I rented the unit through VRBO, they would charge me \$85. There was a linen charge every two years of \$400 per unit, I was charged an excessive rate if renters choose to pay by credit card. Then they started sending me invoices, which they refused to show me how much they collected in GE and TAT taxes - was that so I wouldn't be able to pay it? Well, it took some math on my part and taxes were paid. What proof did I have that they even paid the taxes to the State? We always collect the GE and TAT taxes, file the returns and pay the State of Hawaii. Renting through VRBO, I am able to keep our units rented 75% of the year. As you can see, if I depended on the management company, the state would be receiving far less in taxes than I am sending. I have complete books showing all rentals and taxes paid since we first purchased these condos 6 years ago and I would have no problem proving that all taxes have been paid.

There is another management company, South Kohola, in our area that charges 35% commission, supplies people with lesser quality linens, (motel 6?) and has rules on when you as an owner can even use your property. I have heard many negative comments about this company, ie: items missing from condos and lack of cleanliness.

I know people that have used Abbey Vacation Rentals and have heard complaints about things disappearing from their units.

We take a lot of pride in our units and have done many upgrades over the years. We now supply our own linens which is good because we have control over the quality which we didn't with Waikoloa Vacation Rentals.

If this law is enacted, I do not see it as a money maker for the state. The only persons that will benefit by this are the realtors and licensed agents. These management companies charge the owners of the condos between 30% and 45% commission on the rental income. If one has a mortgage on their property, it quite possibly could cause them to lose their property. The management company says "just raise your rental rates" - That is a joke in this economy. We work hard to keep our places rented as it is and you can see that the management company does not bring in more rents, but less.

These companies are only looking at this from how much money they can make. I can't believe anyone thinks these companies are looking after the State of Hawaii's welfare.

Please take these thoughts into consideration. We love Hawaii and pay property taxes, mortgages, TAT and GE taxes and bring in much tourism to your state. I personally travel to Hawaii 9 times a year to perform maintenance to our condos and I almost feel like a resident. Why would someone think nonresidents would be the people not paying taxes?

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Monday, February 13, 2012 1:18 PM

To: CPCtestimony

Cc: pmahrens@aol.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325

Testifier position: Oppose

Testifier will be present: No

Submitted by: Robert and Pauline Ahrens

Organization: Individual

E-mail: pmahrens@aol.com

Submitted on: 2/13/2012

Comments:

We forcefully oppose the proposed legislation. It is an impingement of our rights as property owners. We are owners of a second home in Waikoloa Beach, County of Hawaii. We do not rent our home but many of our neighbors do and it is possible we would do so in the future. Whether or not we use a real estate professional is a private matter. The proposed legislation for the benefit of the special interest real estate industry should be defeated.

We find this proposed legislation appalling and believe the legislator(s) sponsoring this bill are being unfaithful to their responsibility to the public.

We are residents of Hawaii and we vote and encourage others to do so as well.

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Monday, February 13, 2012 1:21 PM

To: CPCtestimony

Cc: anicklen@shaw.ca

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325
Testifier position: Oppose
Testifier will be present: No
Submitted by: Aaron Nicklen
Organization: Individual
E-mail: anicklen@shaw.ca
Submitted on: 2/13/2012

Comments:

I am a resident of Canada and recently purchased a vacation/ retirement condo on the big island. I feel this legislation would greatly limit ones capacity to act on one's own behalf. The added cost of contracting with a rental agency does add a significant burden. We currently pay a 28% commission. Even though this does not currently affect us (as we do contract with a Kona rental company). I do worry that at a time when Hawaii is encouraging visitors and in fact seeing an upward trend in travel and in capital purchases this will not only impact current owners and their ability to maintain a home but may also deter future purchasers of property. I am concerned that it would restrict the personal choice for non residents. Thank you for your consideration of this submission.

February 13, 2012

Jerry W. and Carol C. Doerr
Legal residence: 7813 NE 112th St
Kirkland, WA 98034

Hawaii property:
Unit #723, Kaanapali Shores
3045 Lower Honoapiilani Road
Lahaina, Maui

To Whom It May Concern:

We OPPOSE Bills SB2089 and HB1707:

We have been Hawaii vacation rental property owners since 1991. Although we have always used a professional property management company (Aston), we have also always paid our own General Excise and Transient Accommodation Taxes--on time and in full compliance with Hawaii law. Through the years, we've gotten to know many other non-residents, and they also comply with Hawaii's law.

We consider the above referenced bills to be unnecessary, discriminatory against non-residents, and injurious to all Hawaiian property values and, therefore, the Hawaiian economy. We also believe this is unconstitutional under the Commerce Clause of the U.S. Constitution.

If Hawaii has a problem with some non-resident property owners who do not comply with Hawaii's tax law, then it should enforce the current laws rather than introduce a new law that make it a crime not to hire an in-state realtor to manage their property. Our suspicion is that these bills are sponsored by lobbyists for the real estate professionals, who are looking for new sources of income at a time when real estate sales are down.

In addition, at a time when property values are extremely depressed, rental income down significantly over the past 4 years, and occupancy down, these bills are just another impediment to being able to invest in Hawaii property. They will have a dampening effect on the already depressed market, and likely cause more defaults.

Laws are already in place to address payment of taxes -- why not enforce them instead of introducing unnecessary bills?

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Monday, February 13, 2012 2:02 PM

To: CPCtestimony

Cc: gene@mbhcpa.net

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325
Testifier position: Oppose
Testifier will be present: No
Submitted by: Eugene Baldi
Organization: Individual
E-mail: gene@mbhcpa.net
Submitted on: 2/13/2012

Comments:

I think this law would be terrible for Hawaii. Granted you may collect some additional taxes, but the reduction in tourist income would far out weigh the tax increase. This would result in an overall loss for the state.

The increase in taxes should be achieved through education of landlords, not this potentially unconstitutional law which infringes on the property rights of Hawaiian property owners. I do not think any other state restricts property rights like this.

Why would Hawaii want to be the first?

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Monday, February 13, 2012 2:07 PM

To: CPCtestimony

Cc: getmetomaui@gmail.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325
Testifier position: Oppose
Testifier will be present: No
Submitted by: Kathleen Sheehan
Organization: Individual
E-mail: getmetomaui@gmail.com
Submitted on: 2/13/2012

Comments:

Aloha Committee Members,

Respectfully, I oppose HB 1707. By uniquely requiring nonresident owners to hire resident agents to collect rental revenue and taxes, this bill unfairly penalize nonresident owners who pay their TA and GE taxes fully and on time (in my case for over 30 years). As such HB 1707 may be in violation of Hawaii state and/or federal law.

The notion that HB 1707 will raise revenue for Hawaii is also problematic. My own experience is that the people who rent directly from owners prefer to deal directly with owners, not with agents. They will express this preference by taking their business elsewhere (to destinations outside Hawaii). As a result, the state will suffer a net loss of TA and GE revenue (not to mention the loss of millions of other tourism dollars these direct-renters spend in Hawaii).

Several large management companies have expressed support for this bill in this testimony. This support needs to be viewed in the context of their significant self-serving conflicts of interest. Driving out rental-by-owner business, as these bills will do, might help them in the short term but not the state of Hawaii.

In summary, yes, the issue of collecting taxes needs to be addressed but mandating use of a licensee in Hawaii is not the solution.

I appreciate your considering my comments in your discussion,

Mahalo,

Kathleen Sheehan

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Monday, February 13, 2012 2:24 PM

To: CPCtestimony

Cc: gmodenius@yahoo.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325
Testifier position: Oppose
Testifier will be present: No
Submitted by: Gail M Odenius
Organization: Individual
E-mail: gmodenius@yahoo.com
Submitted on: 2/13/2012

Comments:

HB1707 HD1 is descriminatory. I have rented my condo for years and have paid Hawaii taxes faithfully. This will be detrimental to tourism. Rates will have to go higher. Owners use VRBO because they have control on who is in their condo's when they are not. Rental agents and realestate don't care what kind of people they put in your condo and their cleaning services are terrible. Most of us keep our standards much higher. Don't penalize the majority because the monority are not following the rules.

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Monday, February 13, 2012 2:34 PM

To: CPCtestimony

Cc: jwilson@montroy.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325

Testifier position: Support

Testifier will be present: No

Submitted by: James Wilson

Organization: Individual

E-mail: jwilson@montroy.com

Submitted on: 2/13/2012

Comments:

I support this bill. Hawaii is missing much revenue from owners who rent direct. We use an on island licensed management company and pay all taxes to the state, everyone should do the same and Hawaii will benefit because of it.
Thank you.

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Monday, February 13, 2012 2:36 PM

To: CPCtestimony

Cc: shariburns@comcast.net

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325
Testifier position: Oppose
Testifier will be present: No
Submitted by: Shari J Burns
Organization: Individual
E-mail: shariburns@comcast.net
Submitted on: 2/13/2012

Comments:

I own a home on the Big Island, do not rent it out, pay lots of property tax at inflated valuations. This will make it all the more harder for other people to sell their units, increase rental prices to cover Real Estate agent fees and discourage the tourism which is a large source of state revenues. It feels like a payoff to the local real estate industry and again the property owners are the victims. The Hawaii economy needs out of state dollars to keep the property values up and taxes coming to Hawaii.

Very opposed to this legislation, should be a choice of the homeowner to use an agent or not.

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Monday, February 13, 2012 3:07 PM

To: CPCtestimony

Cc: tomsax@mac.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325
Testifier position: Oppose
Testifier will be present: No
Submitted by: Tom Saxton
Organization: Individual
E-mail: tomsax@mac.com
Submitted on: 2/13/2012

Comments:

I am a non-resident who owns property in Hawaii and rents it out most of the year, using an on-island rental agent. I work very hard to ensure the best possible on-island experience for all of our renters.

I am strongly opposed to this bill. Our condo rentals bring tourism dollars to Hawaii and tax dollars to the state, and support local jobs. Forcing owners to use licensed real estate agents or salespersons imposes an unnecessary restriction on an entrepreneurial industry that makes a considerable contribution to Hawaii's economy.

The \$1,000 per day fine for non-compliance could easily bankrupt an owner trying to support Hawaii's tourism industry, and thus creates a very hostile business environment.

Please help us continue to support tourism in Hawaii and reject this onerous bill.

Mahalo,

Tom Saxton

Opposition to HB 1707

Dear Honorable Hawaiian Legislators,

We are writing to voice our strong opposition to impending bill HB1707 requiring any nonresident owner who operates a transient accommodation located in the nonresident owner's private residence, including an apartment, unit, or townhouse, to employ a property manager approved by the real estate commission.

We are nonresident property owners on Maui who would be severely and adversely affected by this legislation. We understand this law is under consideration to help in compliance with payment of GET and TAT taxes.

The issue here is non-compliance of payment of HI taxes. Enforcement of payment of taxes is what is needed **not a law that requires property owners to hire a realtor/property manager**. The crime should not be **not** hiring a realtor/property manager but rather **not paying** ones taxes. It should not be a crime laden with penalties for a homeowner to not hire a real estate professional or manager to collect and pay their taxes.

Drafting a law applicable to "non-resident" owners is unequal enforcement - all who rent should be forced to comply regardless of where the owner resides if the objective of the law is tax compliance. Tax compliance is the responsibility of all owners who rent, not just owners who are "non-residents."

Consideration of this proposal is government intervention at its worst. You have a tax department. Use it. Do not penalize the very people who are sustaining Hawaii's economy with their investment in real estate. Go after tax dodgers and cheaters but do not create another system that will put a huge financial burden on your investors. Three years ago we had a property management company that we hired to oversee our investment, collect revenues and pay the taxes. Their priority was not in maintaining our investment but in putting dollars in their own coffers. Their motto "heads in beds" says it perfectly. Our Hawaiian home was in shambles do to a constant flow of tourists that treated it like Motel 6. No one else cares about your property or money more than you do. For that reason we took over management of our Maui home. We have a tax identification number and pay our GET and TAT taxes monthly and on time. We follow the rules. This proposed legislation is government intervention of private property. Do not mandate that we hire an outside firm to pay our taxes. Go after the tax dodgers and cheaters and have the tax finance department do their job. Do not create a further burden on the very people helping to keep your economy afloat.

Of course property managers are in favor. This feeds their self-interests. Just because a property owner removes their property from a management company does not mean the taxes are going unpaid as others have asserted. Property managers currently charge 25-52% of gross revenues. This would leave us operating at a huge loss every month and make it economically unfeasible to continue to own our condos. We need to remind legislators that property owners have already been devastated by the economy, loss of rental revenue and loss of property values. We operate consistently in the red. Adding this additional burden to property owners will have the opposite effect than what legislators are seeking to accomplish. This legislation, if passed, will flood the market with units for sale. Sales will slow and foreclosures and bankruptcies will increase. The net effect will be an overall further loss of tax revenues. Real Property tax revenue received through property taxes will plummet.

We currently employ 10 individuals to help manage our property. We will have to lay off more than half of these employees if this legislation is passed.

We never would have considered investing in Hawaii if we knew this type of legislation was pending. This is a guaranteed method of killing further investment in Hawaii.

Require tax payment compliance, NOT a requirement the homeowners hire an outside party to collect rental revenue.

Respectfully yours,
Rick and Patty Cassidy
Maui Property owners and Hawaii Tax Payers

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Monday, February 13, 2012 4:28 PM

To: CPCtestimony

Cc: davidgblock@comcast.net

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325

Testifier position: Oppose

Testifier will be present: No

Submitted by: David G Block

Organization: Block Enterprises

E-mail: davidgblock@comcast.net

Submitted on: 2/13/2012

Comments:

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Monday, February 13, 2012 5:02 PM

To: CPCtestimony

Cc: Jeckel@pinninvest.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325
Testifier position: Oppose
Testifier will be present: No
Submitted by: John Eckel
Organization: Individual
E-mail: Jeckel@pinninvest.com
Submitted on: 2/13/2012

Comments:

The proposed bill is outrageous. It violates the rights of property owners to enter into transactions involving their private property and is discriminatory against non-residents

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Monday, February 13, 2012 5:03 PM

To: CPCtestimony

Cc: sunnyd@tctwest.net

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325

Testifier position: Oppose

Testifier will be present: No

Submitted by: Vince Philipps

Organization: Individual

E-mail: sunnyd@tctwest.net

Submitted on: 2/13/2012

Comments:

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Monday, February 13, 2012 5:05 PM

To: CPCtestimony

Cc: roberteammonmcguire@yahoo.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325
Testifier position: Oppose
Testifier will be present: No
Submitted by: Robert McGuire
Organization: Individual
E-mail: roberteammonmcguire@yahoo.com
Submitted on: 2/13/2012

Comments:

Dear lawmakers,

Thank you for considering my concerns.

This HB 1707 is a bad idea for Hawaii. Firstly because it violates the rights of homeowners. The key issue is whether the state is collecting TAT or not. Individuals that are not paying the TAT should be held accountable not the entire population of individual owners like me that have built a business around promoting Hawaii as a tourist destination and that faithfully pay their TAT.

Here is the reason why.

1) I think this law violates individuals rights. Here is an excerpt from the US Constitution. No State shall make or enforce any law which shall abridge the privileges ... of citizens ... nor ... deprive any person of life, liberty, or property, without due process of law; nor deny ... the equal protection of the laws.

This Bill will deprive individuals like me the privileges of life, liberty or property. It also does not provide for equal protection of the law as it is totally biased to the Realtor community.

Other reasons why this Bill should not pass are more to do with the situation in Hawaii.

- 1) Many people bought into Hawaii before the real estate collapse and are keeping their mortgages afloat with vacation rentals.
- 2) The realtors are not really that good at handling vacation rentals, they charge a fortune and guests often complain because of the lack of a personal touch.
- 3) The market for Vacation rentals is on the rise and becoming a very important engine for tourism growth in Hawaii. Individual owners are the best marketeers for Hawaii as they have committed to Hawaii by making a significant investment. Why would you want to detract from this positive source of Revenue for the State of Hawaii?
- 4) Taking away the right of owners to market their property the way they feel fit so long as they comply with zoning codes and GET and TAT requirements fundamentally changes the formula for success that led to the investment in the first place.

I own two homes on the Big Island in a resort community that is properly zoned to do vacation rentals. I bought into this property explicitly because I could do

vacation rentals and get help from renters to pay my taxes, HOA's and mortgage. This Bill will fundamentally deny owners like me with the income that they need to keep their investments.

Its a bad decision for Hawaii. Instead effort should be focused on collecting TAT from other means. Or alterntatively if you are going to issue this bill it should apply prospectivley from future date and owners like me should be grandfathered in. I would think a reasonable method of grandfathering in an owner would be whether or not they are paying TAT taxes or not in the past. If you have a tax account and have been paying all your taxes why do I need to use a real estate broker?

Please give careful consideration to my views I am sure a lot of other owners would not support HA1707.

Thank you for your consideration.

Robert McGuire

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Monday, February 13, 2012 5:07 PM

To: CPCtestimony

Cc: dorseymelton@aol.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325

Testifier position: Oppose

Testifier will be present: No

Submitted by: Dorsey Melton

Organization: Individual

E-mail: dorseymelton@aol.com

Submitted on: 2/13/2012

Comments:

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Monday, February 13, 2012 5:17 PM

To: CPCtestimony

Cc: Sallynisbet@aol.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325
Testifier position: Oppose
Testifier will be present: No
Submitted by: Sally Nisbet
Organization: Individual
E-mail: Sallynisbet@aol.com
Submitted on: 2/13/2012

Comments:

Aloha, Hawaii legislators,
Regarding the Bill scheduled to be heard by CPC/JUD on Wednesday, 02-15-12 2:00PM in House conference room 325:

My husband and I have no vote in spite of the fact that we have paid Hawaii taxes since 1976. The first 20 years that we owned our two condos we made no money at all. They were handled by a realtor whose profit was greater than ours. Also it wasn't ever even half rented because the realtor managed so many places that they had to spread out all the renters among the group. After one of our friends at the resort started a website we were able to manage the condos ourselves and built up our list of renters to over 80% occupancy. Now we send money to the tax people on a monthly basis instead of quarterly as before. We've just spent \$40,000 per condo remodeling, knowing that at our rate of occupancy we could justify spending that amount. Our guests appreciate the personal touches we can give them, and we are now friends with many of them. Both of us are in our 80's, and this income is vital. That will all end if a realtor climbs back into our wallets. Also we have winters booked in one of the condos for the next eight years. The realtor would probably want a cut of that. This would also possibly lead to our eventually selling the places instead of passing them on to our 12 grandchildren. Then there will be no more monthly tax checks arriving in Oahu, and our renters will go elsewhere.

Sally and John Niabet
Valley Isle Resort

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Monday, February 13, 2012 5:50 PM

To: CPCtestimony

Cc: deedawn22@sbcglobal.net

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325
Testifier position: Oppose
Testifier will be present: No
Submitted by: Dee Dawn
Organization:
E-mail: deedawn22@sbcglobal.net
Submitted on: 2/13/2012

Comments:

Dear Representative Brower,
It was brought to my attention today that Bill 1707 to above is going through your committee. Why would someone make a bill to defeat ownership of property in your state? I purchased a home over in Maui 16 years ago because my family and I enjoyed our time in Maui. As costs and the taxes of home ownership became too high, I decided to rent it when we were not there. Rentals help significantly towards covering costs associated with loan interest, home owner dues, TAXES, care and maintenance of the property. I also pay the TA and Excise taxes. So please do not add another tax. Many of us owners will be forced to sell, and with the market being as it currently is...this would be a huge loss for all of us.

I am a retired real estate broker with 45 years of experience. No one in the state of California ever handed me a job as this bill seems to do for your real estate employees. Sure if I lived in Hawaii full time I would think it was very good to be handed this financial blessing but I feel if this happened in California you would see an uprising against such a bill and a new down turn in the real estate market. Things are difficult enough. Please do not add more fuel to the downturn.

Thanks

Dee Dawn

408 712-1001

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Monday, February 13, 2012 6:06 PM

To: CPCtestimony

Cc: kwtman@msn.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325
Testifier position: Oppose
Testifier will be present: No
Submitted by: Wendy Tallman
Organization: Individual
E-mail: kwtman@msn.com
Submitted on: 2/13/2012

Comments:

I'm writing to express my concerns about a new law that would require condo owners to use a realtor or property manager to rent out their units. My family owns three condos on the Big Island and this change would have a huge impact on us. We have used property management services in the past and they have charged anywhere from 30% to 50% of the rental income for their services (plus additional yearly fees) and the rental rate was extremely low (2 to 3 weeks a year). We simply cannot afford to keep our condos under such terms. Since we have switched to renting our condos by VRBO and our rental rate has increased 70%, thus bringing more tourists and revenue to the island. This proposed law will lead to people charging more for their condo rentals and receiving fewer guests, not to mention the flood of condos to hit the market because people cannot afford to use the property managers. In the end this law will bring fewer people to the island does not help the economy. I am opposed to this legislation.

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Monday, February 13, 2012 6:24 PM

To: CPCtestimony

Cc: buzz@mahana308.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325
Testifier position: Oppose
Testifier will be present: No
Submitted by: Dr Albert W Merrill
Organization: Individual
E-mail: buzz@mahana308.com
Submitted on: 2/13/2012

Comments:

Passage of this measure and having to pay someone to do what I do very effectively and responsibly will no doubt mean the difference between whether I can retire or not. For others of my fellow owners, it may mean they will need to sell their units at the reduced value caused by this measure. These sales will lead to reduced property tax valuation thus reducing government revenue.

I have owned my condo unit in The Mahana at Kaanapali since 1978 and am 72 years old. I have been working full time at the same non-profit company for 43 years supporting our nation's defense in space. I have a high security clearance and my integrity must be and is impeccable. I have always paid my tax accurately including the Hawaii GE and TA taxes. I love my personal relationships with the people I rent to and it sort of fills a void that exists due to the failure of my marriage. Please allow me to love my condo, my work on it, the renters, and the freedom my management gives me. If this law intends to control tax law breakers, please find a focused technique for doing so. My view is that for every law breaker this message attacks, there will be 10-100 innocent people harmed and have their livelihood reduced.

Mahalo for having an open mind. Please do the right thing.

Aloha,

Albert W. Merrill, PhD

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Monday, February 13, 2012 6:51 PM

To: CPCtestimony

Cc: vicki@vsebastiani.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325
Testifier position: Oppose
Testifier will be present: No
Submitted by: victoria sebastiani
Organization: Individual
E-mail: vicki@vsebastiani.com
Submitted on: 2/13/2012

Comments:

This is absurd and I feel it takes away my rights as an property owner. Why were owners not made aware of this bill? Had I not heard about this through a neighbor I would have never known about this infringement on my ownership. we are all trying to hang on to our ownership, and if this passes the state eill experience another surge of property failures!

please help us instead of hurting us!

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Monday, February 13, 2012 7:40 PM

To: CPCtestimony

Cc: rockykropp@att.net

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325
Testifier position: Oppose
Testifier will be present: No
Submitted by: Rocky
Organization: Individual
E-mail: rockykropp@att.net
Submitted on: 2/13/2012

Comments:

Aloha - I was just informed of the proposed bill. I'm not sure if our Property manager fits in the proposed new rules, but I see this only benefiting Real Estate Agents and not necessarily property owners. We had a Real Estate Agent manage our property for several years and we are glad we switched earlier this year. This should also be about how good a service the company/person can perform property management and trust me, having a Real Estate Agent title does not guarantee quality service. In some cases its also a conflict of interest and sometimes there is clearly not enough time or resources for either property management or real estate efforts. This hurts the property owner, tourists/guests, and beautiful state of Hawaii. I hope you will reconsider and not add more govt regulations, business growth restrictions. I thought we were trying to get away from these trends. Thank you for listening, good luck in your decision. Mahalo, Rocky Kropp

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Monday, February 13, 2012 8:08 PM

To: CPCtestimony

Cc: slicklippy@aol.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325
Testifier position: Oppose
Testifier will be present: No
Submitted by: Tess Anderson
Organization: Individual
E-mail: slicklippy@aol.com
Submitted on: 2/13/2012

Comments:

I am opposed to this legislation. Testimonies submitted in favor of this bill are huge rental management companies who only want to gain access to funds and line their own pockets in greed. There are those of us who manager our properties successfully, who have never double-booked, who have local plumbers and electricians on retainer should an emergency arise, have back-up lockboxes in place should a key be lost or a lockbox fail, and who have on-site managers who are available 24-7. I collect valuable monies in the form of excise/use and transient taxes for the State of Hawaii, and have established a base of repeat customers who value my hands-on, caring and personal touch to their vacation experience. Shame on those who choose to criticize others in order to gain control and place a monopoly on the ability to host guests, citing cases of a few mismanaged properties while the majority of us manage our properties with care, professionalism and Aloha. We need permits and licensing, not a bill which would force many of us to close our doors, something which would cost the State of Hawaii dearly in taxes collected and cause local employees who support our properties to loose valuable income. THINK OF A BETTER WAY TO HANDLE RENTAL PROPERTIES! THINK OF PERMITTING AND LICENSING VACATION RENTALS! WE PROVIDE VALUABLE INCOME TO THE STATE OF HAWAII, AND THAT WILL BE LOST IF THIS BILL IS PASSED. MY GUESTS DO NOT WANT TO STAY IN A CONGLOMERATE, HIGHRISE, OVERPRICED AND IMPERSONAL HOTEL-TYPE SETTING. THEY WANT AN IPOD DOCKING STATION, DVD PLAYERS IN ALL BEDROOMS AND LIVING ROOMS, ESPRESSO COFFEE MAKER WITH BEAN GRINDER, AND A HOME SETTING RATHER THAN A HOTEL.

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Monday, February 13, 2012 8:24 PM

To: CPCtestimony

Cc: dixonInHawaii@gmail.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325

Testifier position: Oppose

Testifier will be present: No

Submitted by: Dixon Smith

Organization: Individual

E-mail: dixonInHawaii@gmail.com

Submitted on: 2/13/2012

Comments:

I oppose HB 1707 because Maui, Oahu, and the Big Island do NOT have any means for short-term rentals to be permitted. This makes real estate agents will be subject to fines for representing non-permitted vacation homes. This is the cart before the horse.

THERE ARE SHARKS IN THE WATER ON THIS ONE.

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Monday, February 13, 2012 8:32 PM

To: CPCtestimony

Cc: denisekruzel@gmail.com

Attachments: Testimony HB 1707.docx (13 KB)

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325

Testifier position: Oppose

Testifier will be present: No

Submitted by: Denise Kruzel

Organization: Individual

E-mail: denisekruzel@gmail.com

Submitted on: 2/13/2012

Comments:

Opposed

As owners of a vacation rental property in Waikoloa Beach Resort we are against HB 1707. It would be disastrous for owner/self-managers, Hawaii real estate market and Hawaii taxes. This bill seeks to bring more money into Hawaii. It will not. It makes the following erroneous assumptions:

- Owners who are paying taxes will continue with short term rentals, instead of looking for long term tenants, not renting them at all, or not reporting rents - going "underground".
- The same amount of rents will be generated by the professional managers as owners.
- The current owners will stay solvent while they pay the extra fees to managers.
- Owners will not sell their properties to buyers remove them from the short-term rental market.
- Owners with illegal units who are not paying taxes, will comply with the new law.

This is why these assumptions are erroneous.

Like many self-managing owners, HB 1707 would be an extreme financial hardship that could force us to sell our property. We are new owners (10 mos.) and have worked extremely hard to make our "second home" a warm, inviting and affordable place for other families to enjoy the Aloha spirit. Professional managers do not have time or inclination to push to that level for each competing owner. They book under 50% and charge from 25-50% of the rents. This makes the cost of ownership questionable, at best.

Many vacation rental owners bought when values and vacation rents were higher. Most units built in the last ten years are worth less than the owners paid new. There have been many foreclosures and short sales. There will be many more if this bill passes, which will drive market values down further, taking Hawaii property taxes with it. In a depressed market we see many sales to cash buyers as affordable second homes, who do not need to rent them often or at all and to buyers for permanent homes. Much less tax revenue is generated.

HB 1707 assumes those who are illegal would comply. I believe that those who are currently willing to be illegal, would stay illegal and many more would be forced to go "underground" rather than pay additional fees for professional management they do not want, need or can afford.

HB 1707 is unnecessary. Our guests pay with credit cards as do the majority of the rentals managed out of state. Merchant credit card companies track and will report transactions on a 1099 this year. This promotes compliance with tax laws without further compliance cost to Hawaii.

HB 1707 is not the answer to Hawaii's financial problems. We do not have the deep pockets Hawaii needs. Please look past the surface into the ramifications of this bill and oppose it.

Please do not force us out of the rental business. We don't want to sell our beautiful villa.

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Monday, February 13, 2012 8:35 PM

To: CPCtestimony

Cc: romurdock@gmail.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325
Testifier position: Oppose
Testifier will be present: No
Submitted by: Munro Murdock
Organization: Individual
E-mail: romurdock@gmail.com
Submitted on: 2/13/2012

Comments:

This legislation is entirely unnecessary given the fact that any owners of Hawaii real estate, whether they reside in Hawaii, or anywhere else in the world for that matter, can login online to the Hawaii Department of Taxation website and pay GET and TAT taxes as they become due. It is easy!

If current Hawaii property owners are renting their homes on a short-term basis and NOT paying the appropriate taxes, then they could be contacted and fined accordingly. There is no logical reason to punish ALL non-resident owners simply because some are thought to be avoiding their tax obligations.

To require ALL non-resident owners to turn over the management of their properties to a Hawaii Realtor for the sole purpose of paying their GET and TAT taxes for them is not only ludicrous, but indicates a blanket judgment that owners of Hawaii real estate are not competent enough to login to a website and submit tax payments online. That is offensive.

An even greater weakness in the proposed bill is to suggest that Realtors will even accept the responsibility of taking on these properties, collecting funds, managing the operations and paying the taxes. This is particularly relevant for those properties that are currently being rented short-term and that are technically non-compliant. Everyone knows that hundreds, if not thousands, of them exist.

The current owners could be logging in online and paying the GET and TAT taxes monthly or quarterly, as they should be. Yet, with the passage of this legislation, no Realtor would touch such a property due to the potential fines they could incur for doing so. The result? Hundreds (or thousands) of vacation homes that would either be 1) shut-down, never to pay GET or TAT again, or 2) driven underground, also never to pay GET or TAT again. How does this help Hawaii tourism and the Hawaii economy as a whole? It doesn't.

Any direct negative impact upon the short-term vacation rental industry in Hawaii will have both powerful and far-reaching ripple effects throughout Hawaii including, but not limited to:

- Increased foreclosures
- Increased short sales
- Increased bankruptcies
- Property Managers out of work
- Cleaners out of work
- Maintenance personnel out of work

- Landscapers out of work
- Local businesses closing doors; or at least losing revenue and reducing their tax payments
- Significant tax revenues lost (GET, TAT, Sales, etc)
- Families choosing other locations instead of Hawaii due to insufficient short-term accommodation options
- Public opinion and perception that "Hawaii is no longer friendly to vacation rentals, nor the visiting families that like to book them"

All of the above are clearly negative consequences and in no way serve to help the people of Hawaii, the State of Hawaii or the perception of Hawaiian tourism.

There is a better way to handle this and I urge ALL to vote NO and to instead propose alternative solutions for the Department of Taxation to specifically target and fine those owners that are renting their properties, but not paying their taxes.

Thank you.

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Monday, February 13, 2012 8:41 PM

To: CPCtestimony

Cc: pahinuik001@hawaii.rr.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325

Testifier position: Support

Testifier will be present: No

Submitted by: Kathleen Pahinui

Organization: Individual

E-mail: pahinuik001@hawaii.rr.com

Submitted on: 2/13/2012

Comments:

HB1707

RELATING TO TRANSIENT ACCOMMODATIONS.

This bill will provide visitors and residents recourse if there are problems with the unit.

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Monday, February 13, 2012 8:42 PM

To: CPCtestimony

Cc: laurelpupa@aol.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325
Testifier position: Oppose
Testifier will be present: No
Submitted by: Laurel Pupa
Organization: Individual
E-mail: laurelpupa@aol.com
Submitted on: 2/13/2012

Comments:

As a non-resident owner of a vacation rental condo in Fairway Villas at the Waikoloa Beach Resort, I strongly oppose HB 1707 and respectfully ask that you find another way to enforce tax collection and payment. The proposed requirement to use a salesperson or realtor as a "middle man" to collect rental fees and taxes from guests places an unfair financial burden on those of us who rent out our condos, and will force me to have to sell my vacation home. My rental property has been "in the red" every year since I bought it from the developer in 2003, even though it was purchased before the inflated prices of the real estate boom several years later. For the first few years, I used a property management company, who kept 60-70% of the rental income (to make sure they paid for their overhead). I could not continue to make the mortgage payments at that rate, so I decided to rent the condo on my own through websites like VRBO and Homeaway, which has increased the amount I am able to keep in my pocket. I still fall short of the amount needed to pay the mortgage by about \$750 each month, but am optimistic that in the future, my investment will pay off. I cannot, however, afford to pay a commission to a third party. Additionally, it would be a logistical nightmare. Like most other "vacation rental by owners," I require an initial deposit, with payments made at 30 & 60 day intervals. So it's not as simple as just having a salesperson/realtor collect the rent when a guest arrives. I LOVE owning a piece of paradise, and hope to retire on the Big Island some day. But if this legislation passes, it will be "the straw that breaks the camel's back," and I will be forced out of the market. Please do not penalize owners who are complying with the law and collecting and submitting TA and GE taxes. And what makes anyone think that this legislation will result in the collection of more tax revenue for the state? If someone is cheating the system now, what makes you think they are going to suddenly comply and hire a realtor? Wouldn't it be just as easy to go after them now for non-compliance, than to go after them for not using a realtor? The proposed legislation doesn't make sense; it only benefits property managers at the expense of people like me who rent their vacation homes. PLEASE: Go after those who abuse the system! It should be easy enough to have an auditor look through the names of owners on sites like VRBO and match those with names of those who are submitting their TA and GE tax returns. Mahalo for considering my comments.

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Monday, February 13, 2012 8:59 PM

To: CPCtestimony

Cc: sue@mauibeachvacation.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325
Testifier position: Oppose
Testifier will be present: No
Submitted by: Sue Downer
Organization: Individual
E-mail: sue@mauibeachvacation.com
Submitted on: 2/13/2012

Comments:

I certainly agree that the collection of GE and TA taxes needs to be addressed (I have faithfully and consistently paid these taxes), but this is not the way to do it. I was sent a copy of a letter that Ely Dahan submitted as testimony against the House version of this bill. He articulated my position so well, that I am including it below in case you have not seen it. I would appreciate you opposing this legislation.

Sincerely,

Susy Downer

From Ely Dahan:

Respectfully, I believe that HB 1707 will not only significantly damage my business, but it will also hurt Hawaii's economy.

I can see why proponents, especially local real estate agents, would benefit by extracting commissions they are presently not earning. But that isn't a reason to go backwards against the current of efficiency generated by using direct to tourist technology such as VRBO and similar Internet sites. I have thousands of guests who love booking directly through me as OWNER, and who hate dealing with the Agency problems of booking through third parties.

I have always paid all GE and TA taxes on time. As a business school professor at MIT and UCLA, I can attest that HB 1707 is counter to Hawaii's economic interests both in the short and long run. If one of my MBA's proposed this policy as part of a case study on Hawaii tourism, I don't believe that the idea would survive a challenge by fellow students.

Here are four reasons why Hawaii will lose from this measure:

1) The realtors effectively will extract a "tax" in the form of commissions. Tax something, and you get less of it. I will generate 20% to 30% lower taxable revenue under this measure, and TA and GE revenues will drop like a lava rock.

2) This will kill many real estate sales as it will end the ability of

future unit owners to rent out their own units without a new "partner". Had I known of such a possibility as HB 1707, I would not have purchased any of my three units. The already tough Real Estate market will be devastated, and likely drop another 25% to 40%. HB 1707 will not only hurt current owners, but also real estate agents and SELLERS as the number of transactions will diminish greatly. Potential BUYERS will be turned off and will back off of buying. This could lead to a real estate depression for all revenue properties.

3) Tourism will get badly hurt. Thousands of weekly guests will seek alternatives to the accommodations I have been offering because the prices will go up and service will go down. Prices will have to rise to account for the 20% - 50% charged by third party agencies. Service level will go down because these agencies have lower incentives for great service and quality than do owners. And with a "monopoly" imposed by HB 1707, even their prior service level will go down. This is a massive REDUCTION in competition, and will hurt tourists/consumers. Think of it this way, why is VRBO such a smashing success?

4) Hawaii employment will get hurt further. I currently hire a dozen Hawaiian residents to greet guests, maintain and clean my properties, and provide various services. I will have to lay off at least half of these people if HB 1707 passes. They will be directly hurt by this bill. The agencies will not make up this employment loss based on my six years working through such agencies. Such agencies are cost-minimizers, not service maximizers. They do not have vested interests in building the brand equity of each unit of real estate. As an owner, I am a revenue-maximizer and I am willing to employ more people for a higher level of service. It's like the difference between buying Apple products directly from Apple or buying generic technology from a third party.

Please do not pass HB 1707. It will hurt (1) Hawaii, (2) the people I hire, (3) real estate buyers, sellers and their agents, (4) tourists considering visiting our beautiful islands, and (5) me and other tax-generating entrepreneurs like me.

At the very least, please grandfather in owners who has been paying full TA and GE taxes for the past five+ years so that HB 1707 doesn't bankrupt us.

Mahalo for considering my comments in your deliberations.

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Monday, February 13, 2012 9:33 PM

To: CPCtestimony

Cc: emandbillk@earthlink.net

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325
Testifier position: Support
Testifier will be present: No
Submitted by: Emilia M. Thomas
Organization: Individual
E-mail: emandbillk@earthlink.net
Submitted on: 2/13/2012

Comments:

I live in a neighborhood that has numerous transient rentals which generates a tourist atmosphere with strangers wandering through my residential neighborhood. I support bill HB1707 which will bring some control over these rentals and force owners to comply with Hawaii tax laws.

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Monday, February 13, 2012 9:43 PM

To: CPCtestimony

Cc: prentissc001@hawaii.rr.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325
Testifier position: Support
Testifier will be present: No
Submitted by: Charles Prentiss
Organization: Kailua Neighborhood Board
E-mail: prentissc001@hawaii.rr.com
Submitted on: 2/13/2012

Comments:

Aloha Chair and members. My name is Charles Prentiss chairperson of the Kailua Neighborhood Board (KNB) testifying on behalf of the Board. The KNB has been on record for sometime recommending increased enforcement for TVU rentals. This Bill HB1707 is an important step in that direction, as well as an effective way to improve tax collections from tourist activities.

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Monday, February 13, 2012 10:04 PM

To: CPCtestimony

Cc: boydready@hawaii.rr.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325

Testifier position: Support

Testifier will be present: No

Submitted by: Boyd Ready

Organization: Individual

E-mail: boydready@hawaii.rr.com

Submitted on: 2/13/2012

Comments:

This is a sensible measure that will increase State revenues and enable responsible oversight of resort-type uses in non-resort areas. Realtors are accountable, trained, and experienced, other agents are not.

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Monday, February 13, 2012 10:36 PM

To: CPCtestimony

Cc: aloha.susan@hawaiiantel.net

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325

Testifier position: Support

Testifier will be present: No

Submitted by: susan cummings

Organization: Individual

E-mail: aloha.susan@hawaiiantel.net

Submitted on: 2/13/2012

Comments:

It is clearly against the law for anyone to operate a bed and breakfast no matter what. See the only lawsuit brought to trial and the decision Civil No. 04-1-0836. Enforce the law.

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Tuesday, February 14, 2012 7:14 AM
To: CPCtestimony
Cc: drmmca@msn.com
Attachments: Non resident transient le~1.docx (17 KB)

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325
Testifier position: Oppose
Testifier will be present: No
Submitted by: Don McArthur
Organization: Individual
E-mail: drmmca@msn.com
Submitted on: 2/14/2012

Comments:

Don McArthur
11081 Sir Barton Lane
South Jordan, UT 84095
Cell: 801 550-5525
drmmca@msn.com

February 14, 2012

State Legislature
State of Hawaii

Re: H.B. 1707 and SB 2089 Relating to Transient Accommodations

I respectfully request that you NOT pass this bill. The provisions are not only detrimental and unfair to property owners but it will harm the tourist industry of Hawaii as well.

I have owned three condos on the Big Island over the past 15 years and over the years have used three different property managers to rent our condos. They charged from 30% to over 50% for their services and were mediocre in their performance and, while they collected their fee, I ended up not having enough money to cover the operating costs, even though I had no mortgage payments to make. In order to try and "break even" on the costs to maintain the HOA, utility and property tax expenses I resorted to renting on my own using VRBO. It is a lot of work and time consuming but last year I was successful in covering costs, including the excise and transient taxes, and eked out enough to cover out of pocket costs, but not enough to cover the wear and tear.

I have learned that, as an owner I try harder and work "smarter" than any of the property managers I used. And in this dour economy, especially in the tourist industry in Hawaii, it takes that kind of vested interest to produce reasonable results.

I have always paid my Hawaii excise and transient taxes, even submitting quarterly when semi-annual would suffice. The excessive increases in the Transient taxes have been onerous enough to handle, but with this added burden proposed by this bill, it makes being in the tourist rental business questionable.

At a minimum you should exempt property owners, like me, who have complied with existing tax regulations and have paid the tourist income taxes. Impose penalties on those who fail to comply but do not penalize those who do and who have, over the years, built a successful following of guests who repeat occupancy from year to year and who have developed a successful method of marketing our condos (and Hawaii in the process).

Finally, I cannot believe that the State of Hawaii would consider adopting legislation that is so discriminatory. How can you, in good faith, consider imposing the burden of this bill on just nonresident owners and not all everyone who owns property that is rented to tourists?

This entire process smacks of "self-serving conflict of interest" from realtors and property managers who stand to benefit from the proposed legislation. Their biased testimonies only tell half the story at the expense of those of us who have tried diligently to comply with current tax regulation and have struggled with a financial burden of ponderous proportion.

We have loved Hawaii for years, and spent five out of the last eleven years living in Hawaii but this proposed legislation leaves a bad taste in my mouth.

To summarize:

- I believe enforcement of the GE and TAT taxes is the issue, **not a law that requires us to hire a realtor**. (The crime shouldn't be not hiring a realtor but rather not paying ones taxes.)
- I also feel that the law being applicable to only "non-resident" owners is unequal enforcement - all owners who rent should be forced to comply regardless of where the owner resides since the objective of the law is tax compliance. Tax compliance is the responsibility of all owners who rent, not just owners who are "non-residents."
- Please do not penalize us who have complied in the past. At a minimum, property owners who already comply with the payment of taxes should be "grandfathered" in with an exemption and allowed to continue to manage their own property.

Sincerely yours,

Don McArthur

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Tuesday, February 14, 2012 7:14 AM

To: CPCtestimony

Cc: newmiefish@hotmail.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325
Testifier position: Oppose
Testifier will be present: No
Submitted by: Michael
Organization: Individual
E-mail: newmiefish@hotmail.com
Submitted on: 2/14/2012

Comments:

I oppose HB1707

Many places on the Islands there is no legal way to vacation rental a property because the issue of permitting has not been addressed.

Don't you think we should figure out reasonable rules and regulations first before we bring in the real estate agents to confuse the matter even more.

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Tuesday, February 14, 2012 7:24 AM

To: CPCtestimony

Cc: linda@coastalfantaseas.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325
Testifier position: Oppose
Testifier will be present: No
Submitted by: Linda Bornstein
Organization: Individual
E-mail: linda@coastalfantaseas.com
Submitted on: 2/14/2012

Comments:

I am working EXCEEDINGLY hard to maintain our condo properties and have ALWAYS charged my guests the appropriate taxes AND paid them to the state of Hawaii. This measure would force me to utilize a company that likely will take upwards of 20 - 30% of the bookings I secure!!! That is excessive and lines others' pockets who do an ineffective job of managing MY property! They are not interested in maintaining MY property at all! I run a tight ship with attention to detail that CANNOT be matched by a mgmt. co. Many homeowners will surely fall into foreclosure at these rates! That is something you do NOT want to see happen to Hawaii to the levels that it has to my home state of California - it is a recipe for DISASTER that will take years to recover from, if at all! Tourism is essential to the islands and other prospects for regulation must be sought than potentially throwing people into foreclosure which is the likely result of this measure. This decision cannot be shortsighted - the effects will be long-lasting and significantly scar the landscape of beautiful Hawaii. I urge you to find another alternative than penalizing those of us who follow the letter of the law. Mahalo for your time. Linda Bornstein

Gail Baker

Aloha Chair Tom Bower,

I am writing to oppose HB1707. I am a non resident homeowner who rents their townhome to help pay the costs of ownership. From reading the testimony it sounds like the reason for this bill has to do with the nonpayment of GET & TAT by owners that rent their homes. There is already a law which addresses paying these taxes and there are certainly other ways to enforce this law besides forcing homeowners to rent their property through a real estate broker or licensed real estate agent. When we purchased this home we knew that we would have to rent the property to be able to afford it. It was not in our original profit and loss estimate to pay a real estate company to rent the property for us. Should this bill pass we will no longer be able to pay for this property and will be forced to sell at a time when the property is worth 50% less than when we purchased it. This bill seems like it is unconstitutional by taking away the right of the homeowner to choose how they wish to manage their property.

We have also had to lower the cost to rent the property in half due to the huge influx of rental properties in the rental pool. We presently carry a significant negative cash flow on the property and the only way that we will be able to keep the property is to rent it ourselves. The cost that realtors charge would not suffice to be able to hold on to the property. I have also had very bad experiences with realtors both with filling the calendar and also with the clientele that they allow in the property. I would never feel comfortable in allowing a realtor to take over the responsibility.

The real estate market has been a complete disaster with the amount of foreclosures and short sales. Our complex is finally to the point that almost all of these properties have been sold and there is now becoming more of a demand to buy properties which will hopefully bring back some of the value which we have lost. Should this bill be enacted it will create another onslaught of properties that will have to be sold due to the fact that the owners will not be able to afford the negative cash flow created by having to pay a realtor a commission. This bill will also affect the future sales of properties due to the cost to hold the property by the purchaser.

It is clear that all of the testimony in favor of the bill comes from the real estate industry that will benefit from the passage of the bill. The average homeowner has no idea that this bill is even in front of the legislature and are therefore unfairly represented in this process. Most if not all of the homeowners charge their clients the tax based on looking at the VRBO and other online sites.

This bill not only seems unconstitutional it also seems like it is discriminatory to nonresidents. On island residents can be just as negligent in paying the GET & TAT as a non island resident. At all levels of government, whether it be state or federal, the consequence for not paying taxes

when due is to impose interest/penalties on past due amounts. If it is willful fraud, the agency should then pursue criminal action. At no level does any other government agency require that your salary/income be received by a third party. We all are bound by law to pay taxes that we owe and if we do not comply, those same laws impose penalties (interest, fines, or jail for fraud). Hawaii already has laws that require any person selling accommodations to collect TAT and GET. If there is a non-compliance of that law, the "crime" is for not paying one's taxes.

In conclusion it seems that the best way to handle the tax collection issue is to hire someone to police it and impose the proper penalties. No homeowner should be forced to use a realtor to rent their residence. I do believe that if this bill passes that there will be a class action suit filed against the government which will cost much more than paying someone to oversee that the proper taxes are being collected.

Sincerely,

Gail Baker

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Tuesday, February 14, 2012 7:57 AM

To: CPCtestimony

Cc: eric@rhrc.net

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325
Testifier position: Oppose
Testifier will be present: No
Submitted by: Eric Gravink
Organization: Individual
E-mail: eric@rhrc.net
Submitted on: 2/14/2012

Comments:

The proposed legislation discriminates against out-of-state property owners, likely violative of the Dormant Commerce Clause. The proposed legislation imposes requirements on out-of-state property owners which address no legitimate relationship to the concern (i.e. having a licensed agent represent the transient) that would not otherwise apply to a resident. Why wouldn't a resident need a licensed broker? How would this law protect a renter? How would this law ensure that residents properly report?

While the law appears to be motivated by tax collection and revenue generation, the method employed is discriminatory, adds undue costs to property owners, and will likely lower the revenue generation. If tax reporting is the goal, other less intrusive, costly and discriminatory methods should be explored.

In the alternative, the broker requirement should apply to both residents and non-residents alike.

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Tuesday, February 14, 2012 7:59 AM

To: CPCtestimony

Cc: JesusisLordus@yahoo.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325

Testifier position: Oppose

Testifier will be present: No

Submitted by: Anna Stone

Organization: Individual

E-mail: JesusisLordus@yahoo.com

Submitted on: 2/14/2012

Comments:

You have many more owners who keep up their properties and pay their taxes and do not want a management company to do that for us because it would not get done!!!
Anna Stone Fairway Villas N-24 and Oklahoma

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Tuesday, February 14, 2012 8:30 AM

To: CPCtestimony

Cc: Alohadiva@yahoo.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325
Testifier position: Support
Testifier will be present: Yes
Submitted by: C. Young
Organization: Individual
E-mail: Alohadiva@yahoo.com
Submitted on: 2/14/2012

Comments:

I strongly support this BILL (HB 1707) - and it's companion SB2089 when it comes up for a hearing.

By being sure to collect out-of-state owners taxes, some of the large funds earned in our vacation "hot spots" would be there to fix things like our sad parks and school programs in those areas.

Thank you for supporting long term local people who need housing and deserve a decent quality of life.

February 14th, 2012

Regarding HB1707

To whom it may concern;

Sunset Point

My wife and I are homeowners at Sunset Point. We live full time here on the North Shore and own two businesses. In the ten years we have lived here the quality of life has deteriorated severely, primarily because of illegal vacation rentals.

I have been physically threatened three times in the last few months from property owners illegally renting out their homes near our home. They stated I had turned them in to the Planning and Zoning Commission. I have not but should have except for the threat of physical attack on me, my wife and our dog.

The volume and velocity of the illegal activity has gone beyond tolerable. From the frequent septic pumping trucks, 15 people staying in a single family home, speeding in our neighborhood, loud parties and fights at night from drunken vacationers etc.

We are so fed up that we have now listed our home for sale. We are moving from our dream home and dream neighborhood because of the illegal vacation rental industry gone wild. Even the realtors are on the take.

Law abiding homeowners are actually now a minority at Sunset Point.

Sunset Point is just one big hotel based out of homes.

We support any measure to turn this tide back to what is legal and fair to the few homeowners that are not selling out the neighborhood for their greedy pockets.

Sincerely,

Thomas Sanders
59-039 Kahauola St.
Haleiwa, HI 96712

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Tuesday, February 14, 2012 8:32 AM

To: CPCtestimony

Cc: ivar@ivarp.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325

Testifier position: Oppose

Testifier will be present: No

Submitted by: Ivar Pedersen

Organization: Individual

E-mail: ivar@ivarp.com

Submitted on: 2/14/2012

Comments:

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Tuesday, February 14, 2012 9:55 AM

To: CPCtestimony

Cc: gblane@dishmail.net

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325

Testifier position: Oppose

Testifier will be present: No

Submitted by: Barbara Lane

Organization: Individual

E-mail: gblane@dishmail.net

Submitted on: 2/14/2012

Comments:

I am opposed to anything which would put a 3rd party in between the property I own and rent. I have been doing this for over 30 years and have never had a problem. Why create something that is not needed.

Barbara Lane

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Tuesday, February 14, 2012 9:59 AM

To: CPCtestimony

Cc: maunawilimac@mac.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325

Testifier position: Support

Testifier will be present: No

Submitted by: Ed Greaney

Organization: Individual

E-mail: maunawilimac@mac.com

Submitted on: 2/14/2012

Comments:

Please kokua this bill. It is, indeed, needed and necessary.

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Tuesday, February 14, 2012 10:03 AM

To: CPCtestimony

Cc: peppersplus@hotmail.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325

Testifier position: Oppose

Testifier will be present: No

Submitted by: Laura Taylor

Organization: Individual

E-mail: peppersplus@hotmail.com

Submitted on: 2/14/2012

Comments:

I am totally against HB1707 and strongly recommend a no vote

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Tuesday, February 14, 2012 10:05 AM

To: CPCtestimony

Cc: htpeprman@msn.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325

Testifier position: Oppose

Testifier will be present: No

Submitted by: Ed Taylor

Organization: Individual

E-mail: htpeprman@msn.com

Submitted on: 2/14/2012

Comments:

I strongly recommend a no vote against HB1707

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Tuesday, February 14, 2012 10:08 AM

To: CPCtestimony

Cc: datil@hotmail.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325

Testifier position: Oppose

Testifier will be present: No

Submitted by: Cristin Zachariasen

Organization: Individual

E-mail: datil@hotmail.com

Submitted on: 2/14/2012

Comments:

Recommend a no vote for HB1707

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Tuesday, February 14, 2012 10:13 AM

To: CPCtestimony

Cc: carriebear31@hotmail.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325

Testifier position: Oppose

Testifier will be present: No

Submitted by: Carolyn Taylor

Organization: Individual

E-mail: carriebear31@hotmail.com

Submitted on: 2/14/2012

Comments:

Strongly recommend a no vote on HB1707

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Tuesday, February 14, 2012 10:23 AM**To:** CPCtestimony**Cc:** furudino@hotmail.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325
Testifier position: Support
Testifier will be present: No
Submitted by: David DiBerardino
Organization: Individual
E-mail: furudino@hotmail.com
Submitted on: 2/14/2012

Comments:

I am a long time kailua resident that lives amongst tourist. In a recent testimony (Aug. 11) I stated that my next door neighbor who has been doing illegal vacation rentals without a permit and has not been stopped let alone fined, although she has been reported more than 50 times to inspector David Kalai as recently as last week, and there is currently an illegal rental taking place today, 2/14/12 commented to me when I asked her about GET and TAT tax that she doesn't pay it. She cited a number of reasons, but mostly since she is being hassled by the C&C for her rentals she is not going to give them more ammunition to fine her and she will claim that these are all friends that are staying there. The property is located in Kailua, HI 96734. In the last year based on the # of nights occupied and the rental rate (which can be found on the internet) she has taken in over \$100,000 in rent! Our family owns legal vacation rentals, in condominiums in resort areas managed by professionals and we always pay our TAT and GET. When I spoke at the last hearing on the Illegal Visitor Accommodation Enforcement Bill I spoke of this blatant violation and was met with boos by the supporters of these types of rentals. I was even called a liar by some. I know 1st hand at least in this situation this is going on and by the mere fact that this new bill is being proposed, I guess other people do as well. Please contact me at my email address if you would like more information so that you can verify my claim and check the tax records to see if this person is paying her GET and TAT. I see this as a great 1st step to legitimizing vacation rental business, but more laws must be enforced to return us our neighborhoods. I have information from the dept. that says that this homeowner was recently fined \$28,000 for her continued violation and bargained it down to less than \$2,000 but still refuses to pay. If all of our laws were this enforced like this our world would be a terrible place to live as the corrupt would get away with anything. By the way, she is an absentee owner, she lives in California

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Tuesday, February 14, 2012 10:34 AM

To: CPCtestimony

Cc: matthai@att.net

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325
Testifier position: Oppose
Testifier will be present: No
Submitted by: Pamela Matthai
Organization: Individual
E-mail: matthai@att.net
Submitted on: 2/14/2012

Comments:

We own 2 condos which we vacation rent. The first one was purchased in 2005, the second one in 2007. We manage my own rentals and have set up a business license, pay taxes on line, include these taxes with my federal income tax yearly and have a letter of good standing. We have done this since 2005.

We do not want to use a real estate agent for rentals because we do not want to pay them the 40% off the top. The condos do not pay for themselves as it is and it would be a hardship to deduct the 40% (industry standard amount) for a service that we do not need nor want. The hardship caused by adding this regulation would mean that the condos would need to be placed for sale at a time where the real estate market is already flooded with condos; it would also be a hardship to maintain the AOA monthly fees and quite possibly that we would have to default on and walk away from them. This would place undo hardship on the AOA if all the vacation rental owners walked away. I do know that in our condo complex alone have 17 out of the 67 units in foreclosure and the impact of this law alone, with more owners walking away, would bankrupt our AOA.

This new law would cause a down turn, once again, in Maui's economy that has just recently began to improve.

To say that vacation renters do not follow the letter of the law is incorrect. I have always followed the laws where my condo rentals are concerned. I do not want the extra step in dealing with a rental agent, nor can I afford the fees associated with them.

These are my condos and I should have the right to do with them what I want. Especially since I am a law abiding citizen.

Respectfully submitted,
David & Pamela Matthai

Fax: 586-8404

To: Representative Herkes

From: Angie Larson, President, Hawaii Vacation Rental Owners
Association

HB 1707 Please defer.

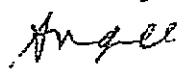
6 pages including cover

1. Testimony for Feb 15, 2012 (1 page)
2. Taxation Board April 3, 2007 (4 pages)
Important statements on page 3

Additional Comment: There is no documentation to show non-residents are not paying taxes rather the opposite per the taxation board, April 3, 2007. Complaints are strictly subjective comments, opinions. This bill will only ban vacation rentals.

Please feel free to contact me. 230-8981

Mahalo,



Angie Larson

President

Hawaii Vacation Rental Owners Association

Chair Herkes. Chair Keith-Agaran, Members of the Consumer Protection and Commerce and the Judiciary Committee:

Oppose HB 1707

My name is Angie Larson and I am president of the Hawaiian Vacation Rental Owners Association. We oppose HB 1707.

Maui, Oahu and the Big Island have no vehicle to permit vacation rentals. It is on record that it is illegal for real estate agents to represent and book vacation rentals for less than 30 days. This is an on-going issue and some real estate agents have been fined several thousand dollars for advertising and booking vacation rentals.

The members of our organization support paying taxes, but this bill is the cart before the horse.

If this bill is passed the majority of non-resident vacation home owners will close and the communities will lose jobs and revenue. Please remember this happened in Maui. Last year when the Administration and the Department of Planning and Permitting on Oahu tried to fast track an enforcement bill to close us down, it resulted in 200 e-mails, with 80 % sent in opposition for economic reasons as testified by David Tanoue, DPP.

There are approximately 900 certified vacation rentals and B&Bs left out of the original 2, 376 certified in 1989 on Oahu. Forty on an average leave the program every 2 years. Seven hundred of the existing 900 are in resort areas. This leaves **only 200** in residential areas. Our visitors are not resort people. We would have a negative economic impact if you passed HB1707. There are too many other places in the world that would welcome them.

April 3, 2007 the taxation board testified for a similar bill. They made some very valuable and revealing statements. The taxation board said they performed audits and they found the majority of our group paid taxes.

Please defer this bill.

Thank you,

Angie Larson
President
Hawaiian Vacation Rental Owners Association

LINDA LINGLE
GOVERNOR

JAMES R. AIONA, JR.
LT. GOVERNOR



KURT KAWAFUCHI
DIRECTOR OF TAXATION

SANDRA L. YAHIRO
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809

PHONE NO: (808) 587-1510
FAX NO: (808) 587-1560

HOUSE COMMITTEE ON FINANCE

TESTIMONY REGARDING SB 750 SD 3 HD 1 RELATING TO TRANSIENT ACCOMMODATIONS TAX

April 3, 2007

This bill requires the Department of Taxation (Department) to coordinate with the Hawaii Tourism Authority (HTA) and the various counties to:

- Investigate into current nonresidential transient uses of residential property;
- Report on various developments of transient accommodations tax collections; and
- Analyze the current transient accommodations tax return forms.

The Senate Committee on Tourism & Government Operations made various amendments to the bill.

The Senate Committee on Economic Development & Taxation made various substantive amendments to the bill.

The Senate Committee on Ways & Means made technical, nonsubstantive amendments to the measure.

The Senate passed the measure on third reading.

The Joint House Committee on Tourism & Culture and Economic Development & Business Concerns amended the bill by eliminating provisions requiring the Department to share confidential tax information and requiring HTA and the counties to provide information to the Department; requiring the Department to report on tax statistics and investigation performance; and requiring the counties to develop identification and permitting of vacation rentals.

The Department of Taxation supports the amendments that eliminate the Department's requirement to disclose confidential taxpayer information. However, the Department opposes this measure as burdensome and unnecessary.

The Department supports legislation that is aimed at assuring optimum revenue collections, especially from delinquent or unpaid sources. Though the issue of illegal transient accommodation units has primarily been an issue for the counties, the Department recognizes the shared interest with the counties to assure that transient accommodation providers are in full compliance with the various

Department of Taxation Testimony
 SB 750 SD 3 HD 1
 April 3, 2007
 Page 2 of 4

laws, including tax laws. However, the Department believes this bill is the wrong vehicle.

The Department has the following comments and concerns—

AMENDING THE BILL TO MAINTAIN TAXPAYER CONFIDENTIALITY WAS CRITICAL—The Department supports the recent amendments that eliminated the requirement that the Department share confidential taxpayer information with the counties. The Department holds taxpayer information in confidence as is required by law and to the betterment of the self-reporting tax system.

Presently, HRS § 237D-13 provides the Department with limited ability to discuss taxpayer information with third parties, including other government entities. The Senate Committee on Ways & Means pointed out this provision and asserted that it allows counties to access tax information. However, the Committee did not take into account that in order to obtain specific taxpayer information, there must be a finding of a "material interest." Since Department personnel are subject to criminal liability for improper disclosure, the determination of whether a material interest exists should not be made haphazardly. Moreover, tax information can only be released for "tax purposes only." Again, with criminal liability at stake, the determination of a tax purpose cannot be made haphazardly. With regard to illegal vacation units, the purposes for which counties are seeking tax information is to enforce zoning laws—not tax laws. Thus, the counties have no legitimate tax purpose for taxpayer information.

The Department will be unable to share information of taxpayers that rent property and who do not currently pay transient accommodations tax. During the last audit project, information of non-reporters was obtained from federal tax information. This information cannot be shared with the counties under any circumstances. Any information on non-reporters cannot be shared because the information can only be obtained from federal information; not any state returns.

The Department's ability to release taxpayer information, such as specific addresses or locations, is very limited because releasing the address, as was required in prior drafts of this bill, obviously identifies the taxpayer.

The Department appreciates the amendment that allows the Department to accept tips from third parties; however, the Department notes that the ability to receive information from third parties exists under current law. Essentially, information regarding this legislation will only flow one direction, from the counties to the Department.

INCREASED SCRUTINY MAY DRIVE TAXPAYERS UNDERGROUND—The Department points out that after its last audit project with HTA, the Department concluded that, in general, those that rent transient accommodations are tax compliant. The Department fears that any increased scrutiny could potentially backfire and drive otherwise tax compliance individuals "underground." Taxpayers that are forced "underground" can have a direct impact on collections.

Department of Taxation Testimony
 SB 750 SD 3 HD 1
 April 3, 2007
 Page 3 of 4

THE NECESSITY OF THIS BILL IS QUESTIONABLE—The Department believes that this legislation is unnecessary. One issue that arose in prior committees was the status of the Department's efforts with the HTA regarding the audits of transient accommodations providers, including bed and breakfasts.

The HTA employed a consultant to search the Internet for advertisements for bed and breakfast operators and vacation rentals in Hawaii. HTA provided the results of this search to the Department. HTA's consultant located 1,452 advertisements for bed and breakfast operators and 6,902 advertisements for vacation rentals. Many advertisements were redundant because many operators and renters advertise on more than one website.

After correlating HTA's information with the Department's files and other information that was available, the Department initiated 123 audits on bed and breakfast operators that the Department believed were not properly reporting Hawaii taxes. The Department also initiated 182 audits on vacation renters.

Of the 305 combined cases, the Department has closed 68 audits and assessed \$1,473,219 in delinquent taxes.

THIS BILL CORRECTLY PLACES THE ONUS OF IDENTIFYING RENTALS ON THE COUNTIES—The issue of "illegal" transient accommodations is primarily a county issue. The recent complaints received by neighborhoods where transient accommodations are of great concern relates to zoning violations—not tax violations. As stated above, the Department concluded that, for the most part, transient accommodations providers are tax compliant. Whether the structure is zoning compliant is another matter. Zoning laws are strictly a matter for the county. The Department supports that this legislation shifts the onus of identifying and investigating the location of the suspect rentals on the counties. The counties should not be using the tax system to police its zoning laws. Nonetheless, the Department is more than willing to assist in order to assure maximum revenue. Though, as stated above, the Committee must be cognizant that increased scrutiny on these rentals may drive otherwise tax compliant taxpayers underground.

SPECIFIC MULTI-AGENCY TASKFORCE, RESOURCES—Furthermore, if the Committee is considering the Department to dedicate resources to targeting the residential vacation rental and transient accommodations tax enforcement, the Department would need additional resources that can be used to focus on this one area of tax collections with the assistance of other entities. The Committee provided the Department with an appropriation. The Department had previously requested an appropriation in the amount of approximately \$980,000 in order to staff an investigative office, auditors, and other facilities needs in order to comply with this legislation. In addition, the bill now requires the Department to prepare additional reports to the Legislature and requests an appropriation to handle this request.

However, as discussed, the Department questions whether this legislation is necessary. The Department does not believe there is substantial non-compliance with tax obligations.

Based upon the foregoing, the Department opposes this bill and requests that it be held as burdensome and unnecessary.

Department of Taxation Testimony
SB 750 SD 3 HD 1
April 3, 2007
Page 4 of 4

Thank you for the opportunity to testify.

Respectfully submitted



KURT KAWAFUCHI
Director of Taxation

Attn All Representatives,

We oppose HB 1707 because Maui, Oahu, and the Big Island do NOT have any means for short-term rentals to be permitted. This makes real estate agents will be subject to fines for representing non-permitted vacation homes. This is the cart before the horse.

Thank you

Marci Kunin

Ewa Beach HI 96706

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Tuesday, February 14, 2012 11:29 AM

To: CPCtestimony

Cc: matthai@att.net

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325
Testifier position: Oppose
Testifier will be present: No
Submitted by: David Matthai
Organization: Individual
E-mail: matthai@att.net
Submitted on: 2/14/2012

Comments:

I am currently the President of the Board of Director's at Hale Ono Loa, a 67 unit condominium complex in West Maui.

This is bad legislation. It favors a special interest group (realtors) over the rights of homeowners, most of whom bought their condominiums in Maui based on the ability to rent them, by themselves and for themselves, to vacation renters. To attempt to legislate that a realtor must now handle those rental transactions will take away a basic right of being able to do with their properties as they see fit. If your issue is non-payment of the GET and TAT taxes that are supposed to be collected from each owner who rents their unit, there is a better way to do this. You already have enforcement capabilities in the law. Use those provisions to make sure that all vacation owners are paying their share. Please do not paint all of us with the same broad brush that you are using to go after those who do not pay their share.

I believe that this action will weaken an already depressed market in Hawaii and cause many more homeowners to abandon their properties that are marginal at best. This would have the exact opposite effect to what I believe you are trying to achieve. It will also bankrupt many AOA organizations that are doing everything they can to keep their heads above water. This will cause additional problems for the banking entities that hold paper on these properties, causing further turmoil in an industry that is heavily dependant on an economic recovery.

I do not believe that the legislature in Hawaii would or should use a political process to reward a special interest group at the expense of homeowners. Use the power, already legislated, to make sure that those who vacation rent their property are doing so legally and complying with all the taxing authority that is already in the statutes.

Thank you.

David Matthai
President
Hale Ono Loa
Board of Director's

February 13, 2012

Representative Robert N. Herkes, Chair
Representative Ryan I. Yamane, Vice Chair
Members of the Committee on Consumer
Protection & Commerce
Twenty-Sixth Legislature
Regular Session, 2012

Representative Gilbert S.C. Keith-Agaran, Chair
Representative Karl Rhoads, Vice Chair
Members of the Committee on Judiciary
Twenty-Sixth Legislature
Regular Session, 2012

Re: H.B. 1707
Hearing on February 15, 2012, 2:00 p.m.
Conference Room 325

Dear Chairs, Vice-Chairs and Members of the Committees:

opposed

My name is Ann Baran. I am the Senior Director of Resort Operations for Trading Places International the managing agent for the Hanalei Bay Resort in Princeville, Kauai and strongly oppose H.B. 1707. The Hanalei Bay Resort consists of seventy-seven timeshare units and thirty-four whole owner units. The whole owners do rent their units out for transient accommodations periodically. There is a 24/7 front desk, nightly in house security and a maintenance staff that handles any emergencies for both the whole owner units and the timeshare units.

Under the transient accommodations tax law, the operator of a transient accommodations, who may be an "owner or proprietor or...lessee, sub-lessee....licensee, or otherwise" is required to pay the transient accommodations tax. The law, in section 237D-8.5, provides for the collection of the rent on behalf of an owner by a third party and the filing of required tax information. Chapter 237D already provides for penalties for engaging or continuing in the business without registering as required by the law.

This measure imposes the requirement that a real estate broker or salesperson must rent or offer to rent the property only on nonresident owners of rental properties. Section 467-2, Hawaii Revised Statutes, allows any individual owner of real estate to rent or offer to rent their own property without coming under the scrutiny of the Commission. This measure discriminates between resident and nonresident owners of property and how they are managed. Section 467-4, Hawaii Revised Statutes, clearly states that the purpose of the Commission "is the protection of the general public in its real estate transactions." This new requirement defies the purpose of protecting the general public in its real estate transactions.

This bill discriminates against owners who live off the islands. Such laws are unnecessary as there are already several laws requiring the payment of taxes.

Thank you for the opportunity to testify on House Bill No. 1707.

Sincerely,

Ann Baran

February 14, 2012

Representative Robert N. Herkes, Chair
Representative Ryan I, Yamane, Vice Chair
Members of the Committee on Consumer
Protection & Commerce
Twenty-Sixth Legislature
Regular Session, 2012

Representative Gilbert S.C. Keith-Agaran, Chair
Representative Karl Rhoads, Vice Chair
Members of the Committee on Judiciary
Twenty-Sixth Legislature
Regular Session, 2012

Re: H.B. 1707

Hearing on February 15, 2012, 2:00 p.m.
Conference Room 325

Dear Chairs, Vice-Chairs and Members of the Committees:

OPPOSED

My name is Lisa Steele. I am a whole owner the Hanalei Bay Resort in Princeville, Kauai and strongly oppose H.B. 1707. I pay my monthly General Excise Tax and Transient Accommodation Taxes monthly. I believe that the majority of owners are honest and also pay their Hawaii taxes. With the economic downturn over that past few years, most owners have reduced rental income, so in turn, less taxes to pay. Maybe this is why Hawaii thinks the state is not getting what is due to them.

I do not really understand how a real estate agent, trained to sell property is also qualified to manage rental properties. The two tasks are NOT similar. Managing property is much more difficult than selling and requires day to day, hour to hour involvement. What about the liability required? Yes there are many property management companies today, but there are many of privately owned rental properties on each island. Who will train these real estate agents to become property managers?

The added costs of using a real estate broker or salesperson would put many of us small businesspeople out of business. Our margins are pretty small now, and if I have to pay an additional 10-15% to another party, I may not be able to stay in business. I would be forced to sell my property. More properties would be unloaded on an already depressed real estate market. Sales prices will continue to drop. Foreclosure rates will rise. Properties will not be rented, and the amount of GET and TAT will be reduced. I really don't see how this bill will be good for Hawaii.

Thank you for listening to me.

Lisa Steele

www.kauai.palmsinparadise.com

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Tuesday, February 14, 2012 12:10 PM

To: CPCtestimony

Cc: kaymadnani@hotmail.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325

Testifier position: Oppose

Testifier will be present: No

Submitted by: Koshu Madnani

Organization: Individual

E-mail: kaymadnani@hotmail.com

Submitted on: 2/14/2012

Comments:

Please do NOT pass this bill. the repercussions will be felt on all the islands. Do an audit instead and prosecute those who are not paying their fare share of GE/TA taxes. Do NOT penalize honest individuals like us who are handling vacation rentals on Maui. The extra expenditure of handling vacation rentals thru a realtor will make it prohibitive to continue our business. Thank you, Koshu Madnani

RE: Supporting HB 1707 Relating to Transient Vacation Rentals

As mentioned in many other testimonies, the issues relating to Rentals by Owners are rising daily. Many are relating to tax, but the ones that concern me the most are related to guest experience. I own a small vacation rental company at Waikoloa Beach Resort and am very involved in the day to day activities. It is getting to a point where there are almost more vacation rentals with illegal activities in some form or another than there are legal ones in the entire resort. On a daily basis I see guests getting cut short due to renting directly from owners. Although I do see where this bill will gain the State of Hawaii more tax dollars, the basis of my testimony is more on the side of making sure guests are taken care of while they are here.

In its current form, the bill does not address the issue of managing properties, but solely addresses rents. What will happen if the current form is passed many of the owners will find a broker to strictly handle the funds. They will continue to use their housekeeper, etc to manage the day to day activities of the property. I believe a statement needs to be added along the lines of "This broker or salesperson will also be responsible for the management of the real estate." If a statement is added relating to that somewhere within the law property management needs to be defined. Currently to my knowledge it is not defined anywhere. Does property management include something as simple as handling a lockout or can that be a housekeepers duties? In talking to many branches of the state government I received different "opinions" as to what property management is.

The intent of this law is excellent, but I feel the enforcement will be hard. I am aware that HB 1706 is geared towards possibly helping enforce this, but many owners will find a broker to pay a minimal amount to just be "the broker on the list". When it boils down to it, the housekeeper will be the one to handle the issue. It may be wise for the law to state that a broker is responsible for all activities relating to a vacation rental that they are "the broker" for. Hopefully that will sway some brokers for taking on these people to make a quick dollar. I feel that if the intent of the bill is to both collect tax dollars and to make sure licensed professionals are managing the properties the enforcement will have to fall on the department of taxation and either RICO or the real estate commission respectively. Given that there really are two separate issues at hand, I find it hard for the enforcement to fall on one department.

I also feel if passed Exception 1 in HRS 467 will need to be deleted.

I also feel that this should follow the tax law of a transient vacation rental and be for anyone that rents for less than 6 months.

Relating to taxes there are many illegal avenues being opened up by the rise of the Rentals by Owner. Many owners are no longer just marketing their own properties, but also marketing for other owners. All the funds are being handled on the mainland so it is hard for the State of Hawaii to track that this is even going on. Obviously this is taking money that legal Hawaii businesses would be paying taxes on and putting it in the hands of people out of state. In these instances, once again, they are using housekeepers to actually manage the properties.

Many rental companies offer a discount commission program for owners that bring their own rentals. Given that, for owners to say that they could not afford their vacation rental if they had to stay within the law is incorrect. Most companies charge 10-15% for the owners for this service.

In the end if something is not accomplished you will continue to see a rise in not only Rentals by Owners but also Rental by Owner businesses and a fall of legal Hawaii businesses. This will cost the State of Hawaii millions in tax dollars.

I appreciate you taking the time to read my testimony and feel free to contact me if you have any questions.

Rob Dalton
Waikoloa Vacation Rental Mgmt.
808-987-4519
WaikoloaVRM@aol.com
www.WaikoloaVacationRentals.com

FW: HB 1707

Danielle Bass on behalf of Rep. Ryan Yamane

Sent: Tuesday, February 14, 2012 12:27 PM**To:** CPCtestimony

From: Rob Stewart [mailto:robstewart49@gmail.com]**Sent:** Tuesday, February 14, 2012 12:16 PM**To:** Rep. Ryan Yamane**Subject:** HB 1707

Dear Vice Chair Yamane:

I am opposed to the passage of HB 1707 for the following reasons:

- * **Lack of Necessity of HB 1707:** This is a law to Hire a Salesperson not tax enforcement. What is needed is **enforcement** of the **current laws** that require a business license, collection of TA and GE taxes, and payment to the State of taxes due. HB 1707 does none of this. I refer also to the Hawai'i Tourism Authority testimony, "**HTA feels that H.B. 1707 is not necessary.**"
- * **Roll of the Broker/salesperson:** There is no benefit to the State of Hawaii or an increase in tax compliance as a result of hiring a salesperson. A salesperson is not an enforcement officer, a State regulator, or employee of the tax department. The salesperson serves no roll beyond transactional for which they will be paid.
- ***HB 1707 Makes Assumption Not Based on Fact:** The original intent of the Bill is for compliance with paying taxes. However, the bill makes the assumption that residents of the island pay taxes and non-residents don't. Previous testimony cites the HTA study of 2005 where they concluded 9,000 units were out of compliance. They drew the conclusion that the greater majority offering transient accommodations WERE complying with the law.
- ***Unequal Exemption Status:** This law provides for exemption from compliance based upon residency of owners. It provides for exclusion for owners who live on the island where they rent the property. This exclusion is based on geography not proof that they have paid GE and TA taxes. If there are to be any exclusions from complying with HB 1707, it should be a "**grandfather**" **clause for ANY owner who has already complied with the laws of collection and paying TA and GE taxes.** Verification of who has already paid taxes is easily done by the Tax Department; it is not necessary to rely upon assumptions based on geography.
- ***HB 2078 if passed would provide audit and enforcement authority:** If the goal is to have non-resident owners pay GE and TA, this is easily audited by the State through Registration numbers in advertisements. This gives the State of Hawaii the tools to conduct audits and enforcement. HB 2078 applies to ALL who provide transient accommodations so meets the test of non-discrimination.

***HB 1707 sends the wrong message to potential non-resident INVESTORS:** Hawaii is sending the message to potential non-resident investors, DON'T SPEND YOUR MONEY HERE - WE TREAT YOU DIFFERENT THAN OUR OWN CITIZENS. I have learned that a Legislator informed a non-resident owner that HB 1707 is directed at non-resident owners and not resident owners because non-resident owners are the problem. You are sending the message that Hawaii treats non-resident property owners differently than resident owners. Hawaii is saying they will treat all non-resident owners as if they are ALL guilty of not paying taxes - all are lumped into the guilty category regardless of documented history of paying taxes to the State. When a State starts **separating who must comply with a law based on where their personal residence is** you are setting a precedence that will have a chilling effect over non-residence investing in Hawaii. Rather, the goal of collecting taxes from ALL WHO OFFER FOR RENT TRANSIENT ACCOMMODATIONS can be accomplished without passage of HB 1707 by equally enforcing existing laws and the passage of HB 2078.

*** Encumbers owners with added costs:** HB 1707 encumbers owners with added costs of paying a real estate salesperson and removes the owner's authority to enter into a business transaction without involving a third party (salesperson). Additionally, these transactions are different from a one-time purchase. There are 52 weeks of the year for rentals and payments are done incrementally, what would a salesperson's roll be?

*** Penalties:** This law provides for penalties of \$1,000 a day for NOT HIRING A SALESPERSON. If the goal is tax compliance, shouldn't the penalty be for not paying taxes rather than not hiring a salesperson? The amount of \$1,000 a day is extremely punitive. For example, an owner might owe TA and GE for a total of \$4,000 in a given year. If they did not pay that tax due, one would owe the tax, interest and penalty. However, if one does not hire a salesperson for a year their penalty would be \$365,000.00.

***HB 1707 is discriminatory:** As written, the law is applicable to only non-resident owners. It is now amended to define non-resident as residing anywhere other than on the island where the property is being rented. If this were the law that "you must have an emergency contact on the island" geography would necessitate the exception of resident owners. But HB 1707 is not that, it is relating to the process of "renting or offering for rent." This does not necessitate a geographical presence. A resident of the island that conducts the exact same business function as a non-resident owner should be treated the same under the law. HB 1707 should be applicable to all property owners who rent, without regard to where their residence is located. The Federal Laws on discrimination specifically preclude discriminating due to factors of origin and citizenship (where one resides). If HB 1707 is to be adopted it must apply to all who "rent or offer to rent" regardless of their residence. **The Hawaii Real Estate Commission also pointed out in their opposition that they view the Bill as discriminatory.**

***Suggested Solutions for Tax Compliance:** Senator Roz Baker asked a non-resident owner what suggestions they would have to solve this problem. I would respectfully offer my layperson's suggestions here. I bear in mind the State of Hawaii is struggling with budget shortfalls so I have tried to find solutions that are cost effective.

Forming the foundation for compliance comes from **EDUCATION**. People need to know there are laws before they can comply with those laws.

The first point of education should come from any realtor representing a buyer in the State of Hawaii. They should be required to inform buyers that there are laws to be complied with if they intend to rent out their property. It is understood that realtors are not licensed to give advice, so they must only direct buyers to resources to learn more.

Create a Statutory Notice For Distribution and Website:

***Notice:** Education can be addressed by a Notice. It should contain language regarding all the tax, posting, collection and payment of GE and TA taxes, emergency local contact, etc. that are requirements. A website posted by the Department of Taxation that fully describes the requirements and how to go about meeting them should be given in the Notice.

***Cost Effective Ways to Distribute Required Notice:**

1. Every purchase of real estate goes through Escrow. Escrow should be required to enclose the Notice.
2. Every property owner receives a property tax bills. The Notice should be enclosed in the mailing of the tax bills. There is no additional cost to the property tax department in performing this task, not even an additional 45 cent stamp. But since the property tax department has every address including non-resident mailing addresses, this is a very effective communication/education tool. The result would be **EVERY OWNER WOULD RECEIVE NOTICE OF REQUIRED GE AND TA TAX COMPLIANCE**. There would not be one property owner in the State of Hawaii who did not receive the information that they must comply if they rent transient accommodations.
3. Most condo Associations also have a service that does AOA billings. Hawaiiana does this for 95,000 units. If they and other Association management companies were required once a year to include the Notice it would again be a strong communication tool.
4. Require that each advertisement include owner's registration number. This gives the State the audit tools they need for enforcement.

Just doing the above steps would educate the owners right from the beginning of their purchase of property in Hawaii and then continue at multiple times per year thereafter.

I think these simple and cost effective steps would yield an increase in tax compliance. Owners of even one unit need to understand that it applies to them, not just a big hotel. This would make the message very clear.

Please do not punish the majority of law abiding condo owners who do already comply with the laws and pay their GE and TA taxes. Please consider trying some of these ideas to improve TA and GE tax revenue collection.

Respectfully submitted,

Rob Stewart

February 14, 2012

Representative Robert N. Herkes, Chair
Representative Ryan I, Yamane, Vice Chair
Members of the Committee on Consumer
Protection & Commerce
Twenty-Sixth Legislature
Regular Session, 2012

Representative Gilbert S.C. Keith-Agaran, Chair
Representative Karl Rhoads, Vice Chair
Members of the Committee on Judiciary
Twenty-Sixth Legislature
Regular Session, 2012

Re: H.B. 1707

Hearing on February 15, 2012, 2:00 p.m.
Conference Room 325

opposed

Dear Chairs, Vice-Chairs and Members of the Committees:

Our names are Mike and Sue Galvin. We are the owners of 2 condos at Kuhio Shores in Poipu on Kauai and strongly oppose H.B. 1707. We pay monthly General Excise Tax and Transient Accommodation Taxes monthly. I believe that the majority of owners are honest and also pay their Hawaii taxes. With the economic downturn over that past few years, most owners have reduced rental rates which result in lower rental income, so in turn, less taxes to pay.

If you pass this bill into law you will be adversely affecting the majority of off island owners that are being responsible owners in paying their taxes and spreading the Aloha Spirit among the guests they bring to the islands.

These owners are not "Rogue" owners who are renting their properties and not paying their taxes and renting non approved areas. We are an example of what owners renting their property from off island and doing the right thing for the State, our guests and the local people who support what we do.

We have rented to over 700 visitors to Kauai who have enriched the Kauai/Hawaii economy over the last 14 years. We have collected and paid many thousands of dollars in Hawaii GET, TAT, Property and income taxes. We have supported many jobs on the island and have certainly done our part in every way to make sure all aspects of what we are doing is done right.

Please do not punish and create a much greater financial burden for those of us who pay all of our taxes due and run our business in a customer orientated professional manner. If the committee persists with this current proposed legislation those of us with excellent compliance records should be "grandfathered" in. We do not need another level of bureaucracy or to be policed when the current

laws are adequate. You will surely kill the geese that have been laying golden eggs over the years if 1707 is passed in its current form.

If you truly want to catch "all" the people that are using the internet for vacation rentals the easiest and best way to do so would be to require everyone listing properties as transient accommodations to post in a prominent place on their home page their tax id number and their VDA permit number. This would allow for easy checking to see who is paying tax. If the numbers are not posted then you know who is not paying their taxes. It would be easy to check out the address of the offenders, contact them to either pay or prove that they have been paying. This way you would solve the problem with hardly any extra cost to the state for compliance and enforcement.

Having the Real Estate industry as the collecting agent for this proposed bill will not get what you are looking for. We feel the owners renting on their own now will figure out a way to avoid using a failed method for renting of vacation rentals.

If you really want to know how off island rentals work please feel free to contact us at 808 742 7414 or 206 660 1074

Thank you for listening to us.

Mike & Sue Galvin
mike@mikegalvin.com

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Tuesday, February 14, 2012 12:32 PM

To: CPCtestimony

Cc: nsweatt@earthlink.net

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325
Testifier position: Oppose
Testifier will be present: No
Submitted by: nancy sweatt
Organization: Individual
E-mail: nsweatt@earthlink.net
Submitted on: 2/14/2012

Comments:

This Bill comes with a false face of bringing more tax funds. Instead, it will result in a huge reduction in tax funds, vacation rentals, and thousands of jobs lost.

Maui, Oahu and the Big Island have no way of permitting short term rentals which should be the focus first. Without that, real estate agents are not able to rent these homes without fines. This is self-destruction of tourism once again by the State of Hawaii.

The Bill discriminates against owners who live off the island and violates several existing laws. Another law is unnecessary as there are already many laws requiring the payment of taxes.

This Bill was initiated by a Big Island real estate company solely to force more money in their pockets. While it will be impossible for many to even hire them, the remaining homes will be forced to raise their rates just to cover the realtor's huge fees beyond affordability of the families that try to come to Hawaii the only way they can.

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Tuesday, February 14, 2012 12:49 PM

To: CPCtestimony

Cc: mlvenier@telus.net

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325

Testifier position: Oppose

Testifier will be present: No

Submitted by: M Venier

Organization: Individual

E-mail: mlvenier@telus.net

Submitted on: 2/14/2012

Comments:

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Tuesday, February 14, 2012 12:51 PM

To: CPCtestimony

Cc: ryanvenier00@gmail.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325

Testifier position: Oppose

Testifier will be present: No

Submitted by: R Venier

Organization: Individual

E-mail: ryanvenier00@gmail.com

Submitted on: 2/14/2012

Comments:

To: Rep. McKelvey
From : Don Brattin
Date Feb. 14, 2012
Subject : HB1707

Aloha,

I used to live in Napili. I now live on the mainland. I am an owner renting my condo on my own, sans broker.

I am opposed to HB1707 for the following reason.
I decided to go away from a rental association which included a broker for one reason ... profit.

Before going on my own I was paying 30% commission to an association years ago. The internet changed everything. I can advertise my condo on the internet and not have to use a broker (who did nothing for me) who wants to take part of the profits. I pay my GE and TA taxes as most owners do.

I'm sure there are some who skirt the tax issue but I do not believe this violation is as rampant as brokers testimonies have led you to believe.

I have an internal memo from Sullivan Properties in Maui I would like to share with you. See below.

From: Pat Sullivan
Sent: Thursday, January 26, 2012 1:56 PM
To: Recipients are void to protect them
Subject: FW: Housing Committee Result - Bill HB 1706

I didn't have time yesterday to provide written testimony but they passed the initial Bill with a complete affirmative vote from the House...**The Bill will require all mainland owners who rent their homes or condos out to have a licensed Realtor on island...ie...Bayer...Vinson...Berndt...this way the State can make sure everyone is paying their GET and TAT... yee hahhhh!!!!** But don't tell anyone yet...let the Bill get passed!!...then we can get some \$\$\$...unless they find a cheap Broker who will represent them for cheap...

The above email is proof that brokers are just waiting for you to approve this bill and line their pockets.

I am totally opposed to passage of this bill. All owners, whether on island or off island pay tremendous taxes and fees.

There must be a method for your to ensure individual owners are paying there fair share of taxes but this is a sham designed to line the pockets of brokers across the islands.

Mahalo, for your efforts. Don Brattin

206 Stoneridge Estates

Branson, Mo. 65616.

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Tuesday, February 14, 2012 12:57 PM

To: CPCtestimony

Cc: , RonaeleW@aol.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325
Testifier position: Support
Testifier will be present: No
Submitted by: Ronaele Whittington
Organization: Individual
E-mail: RonaeleW@aol.com
Submitted on: 2/14/2012

Comments:

Support HB1707. Please look at total impact of short term rentals - their defiance of county zoning, their drag on the infrastructure such as sewer, their drain on available rentals for ordinary residents. Encourage passage of companion bill SB2089 when it comes up for hearing.

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Tuesday, February 14, 2012 12:59 PM

To: CPCtestimony

Cc: pt4popa@aol.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325
Testifier position: Oppose
Testifier will be present: No
Submitted by: Ron Davis
Organization: Individual
E-mail: pt4popa@aol.com
Submitted on: 2/14/2012

Comments:

I strongly oppose this Bill as it requires owners of Condo's to use Licenced Real Estate Brokers and the sky is the limit on what type of fee's they can charge. We pay our GET and Transient Taxes and save upwards of 30% on each rental by renting ourselves.

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Tuesday, February 14, 2012 1:05 PM

To: CPCtestimony

Cc: andyiuliano@gmail.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325
Testifier position: Oppose
Testifier will be present: No
Submitted by: Andy Iuliano
Organization: Individual
E-mail: andyiuliano@gmail.com
Submitted on: 2/14/2012

Comments:

This Bill is supposedly based on an attempt to gain more funds for the State of Hawaii. In reality, it is solely to force more money into real estate agencies. At the same time, it will also close many vacation rentals on the islands...not because homeowners don't pay their taxes (which has been shown they do). All this amounts to extensive loss of tax funds for the State.

The idea that owners are not paying their TAT and GET taxes is an old and baseless argument. The fact is an audit was already performed and they found that the majority were in fact paying their taxes. There is no evidence separating homeowners that are not residents from those that are. This is a further assault on homeowners with no factual basis for the discrimination which will result in many going underground, banned, or increased rates to cover ridiculous fees. This will destroy the vacation home industry and the millions of tourism dollars they bring.

Mahalo, Andy Iuliano, Oahu



February 14, 2012

RE: Testimony Supporting HB 1707

I am providing testimony in support of HB 1707.

Historically in the State of Hawaii, vacation rentals were done for off island persons by a licensed real estate property manager on the island where the property was located. (You need to be licensed by the Hawaii Real Estate Commission under HRS 467 to offer these services to multiple property owners). The property manager would collect monies, keep them in a Trust account separate from the property manager's own monies, take care of vacation rental guests while they were here, help guests with normal issues, and in the case of Civil Defense emergencies such as an earthquake or tsunami warning, provide emergency evacuation and relocation assistance.

The property manager would also disburse monies to property owners upon completion of the lodging service, and generate a 1099 tax report for the property owner at year end, with a copy to the State of Hawaii Tax department to insure tax payment correlation. This process was in place for well over 30 years, and worked very well in addressing all of these key areas of interest.

With the advent of the internet, many property owners have sought to rent their properties without the appropriate on-island representative to cut costs, and have been collecting guest monies themselves from guests via the internet. This collection of monies places the guest monies at potential risk since they are not held by a trusted 3rd party, the State of Hawaii has no "visibility" that a transaction has occurred, and the State has no way of knowing if the correct amount of Taxes were collected or paid to the State. The State of Hawaii Tax authorities are effectively blind to this revenue. This is not a position a State Tax agency can allow itself to be in.

This Rent by Owner (RBO) problem that has growing dramatically over the past 5 to 8 years, and HB 1707 brings things back into "process" from a historical perspective; it does so simply, effectively, and without additional administrative costs to the State.

The Bill's main items listed below are not unreasonable or different from the historical vacation rental practice here in Hawaii:

- 1) If you do not live on-island and are renting your property for stays of 30 days or less, you must use an on-island agent who operates licensed under HRS 467.

- 2) The Bill suggests monies pass through the Property Manager, which would provide guest monies protection of the Property Manager's Trust accounts and revenue identification to insure proper taxes are paid to the State.

I would strongly suggest tightening HB 1707 to require collection of rental revenues by the 3^d party property manager, so that HRS 237D-8.5 is invoked to protect TAT payment, and that all guest monies receive Trust account protection.

From a tax perspective, the Bill is not advocating increasing a tax, or levying a tax against one person and not another, it permits the State of Hawaii to insure that RBO owners pay taxes on their rental revenues just like everyone else by insuring all of their rental revenues are recorded by a trusted third party, a licensed real estate property manager.

One other important language change I would suggest for consideration is in Section 1 of HB 1707, and the change has to do with syntax. The present wording of real estate broker or salesperson unintentionally adversely impacts persons operating under HRS 467-30.

"§237D - Transient accommodations; nonresident owners. (a) Any nonresident owner who rents or offers rental property as a transient accommodation for periods of thirty days or less shall rent or offer to rent the rental property through a real estate broker or salesperson licensed under chapter 467. Any real estate broker or salesperson authorized under an agreement with a nonresident owner to collect rent on behalf of the nonresident owner shall be subject to the requirements of sections 237-30.5, 237D-6, and 237D-8.5.

I would suggest for consideration the following language:

rental property through a person licensed under HRS 467 to perform such rental activities. Any person licensed under HRS 467 authorized under an agreement with ...

I would strongly request that for all the good reasons cited above that HB 1707 be passed by the Consumer Protection and Judiciary committees.

Dan Monck
Exclusive Getaways
www.ExclusiveGetawaysHawaii.com
Kailua-Kona

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Tuesday, February 14, 2012 1:30 PM

To: CPCtestimony

Cc: tarasweet@earthlink.net

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325
Testifier position: Oppose
Testifier will be present: No
Submitted by: Tara Sweatt
Organization: Individual
E-mail: tarasweet@earthlink.net
Submitted on: 2/14/2012

Comments:

This Bill was initiated by a Big Island real estate company (which they failed to tell you) for the sole purpose of putting more money in THEIR pockets, not the State. It was then joined by familiar names from a small Kailua, Oahu, group whose sole purpose is to ban vacation rentals. The State needs instead to proceed with permit and regulation processes for all the islands. Currently, Hawaii, Maui, and Oahu still have no procedure for permitting. This is a backdoor attack which will result in a huge loss of rentals entirely, not to speak of the loss in tourism...all for selfish purposes of a few.

Here are reasons owners do not use these big agencies to manage their homes:

- Agencies are too big to give personal attention to any home. What results is little screening of tenants with too many people being booked into the homes and large events. The type of tenants is not monitored, and they care little about the homes and neighbors. THE BEST PEOPLE TO MANAGE THEIR HOMES ARE THE OWNERS WHO DO CARE.
- Agencies charge anywhere from 20% to 40% of the income. This will cause higher rents and less rentals as it becomes unaffordable for the families that come to these homes, and again less for the State. These homes allow an affordable way for many families to come to the islands.

There is no evidence of any difference between owners from the mainland and those residing here in paying their taxes. Mainland owners must have local contacts for tenants and neighbors, as well as maintaining and attending to the homes, and they do pay their taxes as the Audit performed showed. This is straight up unnecessary discrimination promoted for purely selfish and personal gain.

Please redirect your efforts towards a process for the islands to permit and regulate the vacation rentals before embarking on destruction of the vacation rental industry so important to the tourism of the islands.

Mahalo, Tara Sweatt, Oahu

February 14, 2012

RE: SB2089 & HB1707, Relating To Transient Accommodations

Aloha Honorable Senators and Representatives,

I STRONGLY OPPOSE the passage of the above referenced senate and house bills relating to Transient Accommodations Tax. I completely agree with the testimony of the Hawai'i Association of Realtor (HAR) on February 2, 2012. The fact is, there has NEVER been a requirement that a property owner MUST use a real estate agent to SELL property, so why should it now be a requirement to RENT a property through an approved real estate agent? This simply makes no sense. Shouldn't I have the right to sell or rent my own property so long as its conducted legally?

I am a non-resident owner of two rental properties in Maui. I have valid business licenses issued by the State of Hawaii, pay property tax at the transient rental rate and file periodic and annual reconciliation TA & GE returns as required by Hawaiian tax code. I am a bit offended by the allegation by Rental Property Managers that non-resident rental owners of properties in Hawaii are tax cheats and believe this is a gross exaggeration of reality serving their special interest. Reading testimony from Rental Property Managers begs the question; are they really concerned about the tax that Hawaii is allegedly losing, or is it just possible that it's their own monetary loss they're actually concerned about. It should be clear that competition from VRBO and HomeAway hurts their ability to charge exorbitant fees for property management. I believe this to be the real reason disguised as a tax cheat issue with its purported resulting revenue loss to the State of Hawaii. Recent audits of TA and GE returns simply do not bear out these unfounded allegations by Rental Property Managers.

My take is this: rental marketing and management is changing as a result of the Internet and it's a very healthy change for the State of Hawaii and business enterprise. The Internet truly represents a new rental channel that didn't exist prior to the likes of VRBO, HomeAway and others. We offer a lower cost alternative than Rental Property Managers and many tourists appreciate the price difference. The high volume of rentals we experience in this depressed economy booked directly from the Internet speaks for itself. This is very good for Hawaii. Do you really wish to destroy this source of revenue? Since it's a direct marketing channel to the consumer (bypassing the much of the added cost charged by the Rental Property Manager), it's a less expensive option for many tourists who would otherwise NOT visit the Islands due to tight personal budgets.

To be a tourist in Hawaii is an expensive proposition. They are hit with TA, GE, Parking Fees, Resort Fees, Car Rental Fees, altogether it really adds up. Is it any wonder that many renters have turned to the Internet for reduced rental rates? Many of the tourists we talk to are extremely pleased with the alternative we offer as direct marketers of our own properties. We are meticulous with our rental management as evidenced by the many positive experience comments posted on our web site. People

come back to Maui and rent from us time and time again because of that wonderful and more affordable experience ... and that should be very good news for Hawaii as well. This new Internet marketing channel definitely threatens the Rental Property Management status quo, but as in any free market system, those who want to survive must change with the changing times. Legislating their success is simply not appropriate.

To mandate doing things as they have been in the rental market for many years by imposing inappropriate legislation will most certainly lead to tourism stagnation and loss of revenue for the State of Hawaii. I believe the better choice is to let the free market system work to the benefit of the State and find alternative ways to ensure tax collections.

One approach is to create a link to Hawaiian tax and rental laws directly on the web sites of Internet marketing companies such as VRBO and HomeAway that service the Hawaiian market. It would be in their best interest to do this. Creative? Yes, but why not try this unique approach that is of minimal cost to implement, yet would reach so many current and potential non-resident owners.

Another alternative is to require web sites and rental contracts to contain Hawaii Tax ID numbers as proof of compliance with tax laws. Governments need to take creative approaches to problem solving just as private businesses and individuals do.

My final comment is that if this legislation is passed into law, many of us non-resident owners will be forced to sell our Hawaiian property since the added cost to hire a Rental Property Manager at a cost as much as 40% of the rental rate would make it all but impossible to pay Property Taxes, HOA Fees and Debt Services on Loans just to come close to profitability. As we all know, spending more than you make is not a formula for a successful business. It's already very expensive to be a non-resident homeowner in Hawaii. Is it really in everyone's best interest to make it more difficult and expensive to own and rent in Hawaii? Does the State of Hawaii really want to lose the benefit of these other sources of revenue by passing this legislation?

In summary, please DO NOT pass SB2089 & HB1707 bills. Consider the unintended negative consequences passage will have on non-resident homeowners, home sales, the future of tourism and a reduction in Hawaiian tax collection. Passage of these bills will greatly restrict competition in the Hawaiian rental market to the benefit of a small special interest group. Is it really best for Hawaii to allow the restriction of competition in the Rental Property Market these bills will enable? Is it ethical or even legal to discriminate against non-resident homeowners this way? There are plenty of Tax collection laws in on the books for tax cheats in all sectors of tax collection, is it fair to single out this sector with added burden to owners?.

Thank you for your consideration.

Best Regards,

Michael & Christine Wilde

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Tuesday, February 14, 2012 2:06 PM

To: CPCtestimony

Cc: joe@mauiocan.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325

Testifier position: Oppose

Testifier will be present: No

Submitted by: Joe Opray

Organization: Individual

E-mail: joe@mauiocan.com

Submitted on: 2/14/2012

Comments:

Dear Congresspersons,

As a new (1 year), absentee owner of a oceanfront condo in Honokowai, Maui, I see no need for broker assistance. It is only an additional cost with no benefit to me ,the owner, or ultimately the consumer.

With the benefit of the internet and local independent service workers, all communication can be direct to the end consumer with immediate feedback and resolution . No need for a middle man, broker.

Passage of this bill will further impede the recovery in the transient condo business and drivr up costs!

Mahalo, Dr.Joe Opray

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Tuesday, February 14, 2012 2:16 PM

To: CPCtestimony

Cc: jlhmaui@msn.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325

Testifier position: Oppose

Testifier will be present: No

Submitted by: james Harrington

Organization: Individual

E-mail: jlhmaui@msn.com

Submitted on: 2/14/2012

Comments:

I rent my condo myself . it saves cost . we have rental groups all over the Island

That charge us a big fee to rent our places but we still have to do our own taxes . so we do it on our own .

Dont make Us pay a broker we don't know for what . this is a bad idea

Nancie Fay
3823 Lower Honoapi'ilani Road, Unit 114
Lahaina, Maui HI 96791

February 14, 2012

RE: HB 1707

To the Esteemed Hawaii Legislature:

OPPO YES

I am appalled at the contents of HB 1707. We property owners already operate on a very narrow margin – generally in the red! I do not make money on my rental unit. I am struggling to hold onto it as it is. At this point, the State of Hawaii makes more on my unit (in GE and TAT taxes) than I do ... so why throw one more obstacle in our way? The requirement to add a realtor into the mix will cause even more economic hardship on owners than we can already bear. Aren't there already enough distressed properties in Hawaii? We are just one house bill away from increasing that number. Every property that goes into foreclosure, is one less property that generates income – for the state.

With the current economic conditions in Maui, why would anyone want to *inhibit* incoming tourism any more than it is by our already shaky economic times? By renting my condominium to travelers from the mainland, Canada, and points beyond, I am contributing to the economy of this precious island. I may not live on island, but I do promote a LOT of local business, and help bring money into the state. So WHY would you penalize me by requiring an additional expense on my property?! Requiring the addition of one more 'middleman' in the process, will necessitate part of that expense be passed along to the travelling public. Prices go up, and rentals go DOWN – and we'll all suffer: owners and local economy as well, not to mention the State of Hawaii, in reduced income from taxes.

In conclusion, with existing tax laws in place for the collection of taxes, please exercise your current authority to use that avenue to generate income, and do NOT penalize those of us who are already paying our (more than) fair share of taxes.

Most sincerely,
Nancie Fay

P.S. Here is a thought: chase down those that owe the state taxes, and after collecting those taxes (and penalties) from them, impose the use of a realtor on THEM for a stated amount of time to guarantee that taxes continue to be paid.

Steven C. Wilcox PB/ Owner
Property Management Hawaii, Inc.
DBA Sunquest Vacations
77-6435 Kuakini Hwy
Kailua-Kona, HI 96740

February 13, 2012

Re: HB 1707

Dear Big Island Representative,

I am writing in strong support of HB 1707.

I have owned and operated a property management business in Kona for over twenty five years. We have operated both a Vacation Rental Division as well as a Condominium Association Management Division. My partner, Pam Higgins, manages the Vacation Rental division and has sent in testimony as to our support of your effort to curb the rise in owners managing their own units from off island by using non-licensed personal on island to collect and hold funds, be available twenty four seven to take care of their clients, etc.

Since I managed the Condominium Management Division of our business, I would like to address the problems arising in Condominium resort properties due to the increasing number of Owners who manage their own vacation rental Condominium from off island. These owners typically collect monies and service their clients from their off island address so their clients are left feeling abandoned when problems arise as they so often do. These problems include lock outs, miscommunication regarding key pick up and drop off, cleanings and unit preparation that is not supervised, scheduling problems, especially during busy periods. As this trend has grown over the past decade due to software made available to owners to accommodate their ability to self-manage, the brunt of the problem has fallen on the employees, owners and board members of the resort condominium complex.

The real victims of this broken business arrangement are the many guests that come from afar at great expense to visit our beautiful islands. They invariably leave feeling angry and frustrated because there was no manager available to help resolve their problems. Guests arrive at all hours due to varying overseas flight schedules, and find that any problem they have must be addressed by calling an off-island owner who is not in a position to help them or a on island non-licensed manager who may or may not be available to address their concerns. In desperation the guest sometimes will lash out at the resident manager, Board members or other owners at the resort complex where they have made a

reservation. This problem is causing increased distress in Hawaii's resort communities. As we all know, our resort communities are an important contributor to the overall health of Hawaii's economy.

Again, we strongly support your effort to address this issue by supporting HB 1707. The business of making Hawaii a premier visitor destination is one we cannot afford to ignore.

Sincerely,

Steven C. Wilcox PB



American Resort Development Association

February 14, 2012

TO: HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE
House Representative Robert N. Herkes, Chair

HOUSE COMMITTEE ON JUDICIARY
House Representative Gilbert S. C. Keith-Agaran, Chair

FROM: Daniel Dinell
ARDA – Hawaii, Chair

Re: HB 1707, HD1 – RELATING TO TRANSIENT ACCOMODATIONS

Dear Chairs Herkes and Keith-Agaran and members of the Joint Committee:

ARDA-Hawaii is the local chapter of the American Resort Development Association, the national timeshare trade association, comprising of over 20 local members with 45 properties statewide. In the aggregate the timeshare industry comprises approximately 12% of the visitor units throughout the state.

ARDA-Hawaii would like to submit the following comments on HB 1707, HD1.

As drafted, the bill's definition of "Nonresident owner" and "Rental property" could be interpreted to include timeshare owners. If the purpose of this bill is to facilitate the collection of taxes and to ensure that transient accommodation guests have a local property manger, timeshares are already adequately covered under existing law.

Currently, the timeshare industry is regulated under Chapter 514E. Additionally, under HRS Chapter 237D-2, the law is very clear on the assessment of the transient accommodation tax (TAT) on timeshares and payment of the tax. Section 237D-2(f) requires that every plan manager (manager of a resort timeshare vacation plan) be responsible for the payment of the TAT to the State and that every timeshare resort be represented by a plan manager.

In conclusion, ARDA-Hawaii requests that if the committee chooses to move the bill forward, language be inserted to clarify that timeshares are exempt.

Thank you for opportunity to submit these comments.

"Timeshare With Aloha"

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Tuesday, February 14, 2012 3:13 PM

To: CPCtestimony

Cc: judy@bnin.net

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325

Testifier position: Oppose

Testifier will be present: No

Submitted by: Judy Ratcliff

Organization: Individual

E-mail: judy@bnin.net

Submitted on: 2/14/2012

Comments:

I oppose because Oahu does not have any means for short term rentals to be permitted.

First, the means for short term rental permission - ie; licensing -- should be created. Then, when rentals are licensed, then the process of how to have the bookings made would be the next step.

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Tuesday, February 14, 2012 3:41 PM

To: CPCtestimony

Cc: tom@southkohala.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325
Testifier position: Support
Testifier will be present: Yes
Submitted by: Thomas Hagen
Organization: Individual
E-mail: tom@southkohala.com
Submitted on: 2/14/2012

Comments:

We are very much in favor of HB 1707. As a property manager in Hawaii who has been in business here almost 30 years we have seen the recent "rental by owner" phenomenon grow exponentially. Many, if not most, of the non-Hawaii residents who rent their vacation properties for transient rentals, do so without having a property manager collect the money. Many owners simply call their paying customers "non-paying guests" and ask the property managers to service the client with minimal compensation while they keep the rent and the GE and TA taxes. Most owners are collecting the GE and TA taxes on this revenue themselves and never report it. The property manager is kept in the dark about the revenue and the State of Hawaii is not collecting the taxes that are due. Hawaii is likely losing many millions of dollars in annual tax revenue due to this form of tax evasion.

The largest website for owner rentals is VRBO and there has been little, if any enforcement, on the tax collections. Not only is this situation allowing thousands of people to avoid their tax obligation it is also undercutting the revenues of the hard-working Hawaii property managers who are paying the wages and taxes due on their employees. People will continue to get away with this until new laws are put in place to protect the State's tax revenues and the local management companies.

It is also critically important that rent-by-owner people be required to have the rent and tax receipts collected by the property management company. If this is not required the likely result will be essentially the situation we are have now. Most of the owners will keep the money themselves, not report the rental revenue to the management company, and not report the income and taxes to the State of Hawaii. The property management company provides protection for both owners and customers by placing the money in a trust account insuring that all income collected is reported. This is the only way to insure that all parties are protected and that the State of Hawaii collects the tax receipts that are due.

Aloha,

Thomas Hagen

President, South Kohala Management Corp.

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Tuesday, February 14, 2012 4:15 PM

To: CPCtestimony

Cc: kelly@summittosea.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325

Testifier position: Support

Testifier will be present: No

Submitted by: Kelly Ann Wakayama

Organization: Summit to Sea Realty Corporation

E-mail: kelly@summittosea.com

Submitted on: 2/14/2012

Comments:

I support this bill, but I am concerned about its effectiveness because it will only be effective if there is a way to enforce it. I am also concerned with the real estate professionals being properly educated and "managing" under the correct structure. For example, just because a real estate agent has a license, they cannot manage property independent of their broker/brokerage.

So I think that to protect State revenues generated from Vacation Rental properties, and to protect owner and tenant rights, this Bill is on the right track, but the enforcement and education factors must be considered.

February 14th 2012

Re: SB 2089 and HB 1707

opposed

I have read both Bills and the amendment to Bill 1707 and I am astounded and appalled that the Hawaiian Legislative Branches are considering passing these Bills.

After reading the submissions to the legislators it is clear where the battle lines are drawn and who stands to benefit. Both the Hawaiian Association of Realtors and The Hawaiian Real Estate Commission have come out against these Bills as well as The Hawai'i Tourism Bureau noting that there are already laws in place regarding the collection and remitting of GET and TAT taxes and finding that these Bills are overkill. The other side has a very strong contingent of Rental Property Managers. These Rental Property Managers trot out the contention that millions of dollars in GET and TAT are being collected but not remitted by scofflaw owners or even worse, not collected in the first place. This flies in the face of the most recent audit of GET and TAT which found that a vast majority of owners were in compliance. What is really at issue for the Rental Property Managers is the fact the Vacation Rentals By Owner and other similar business models are putting downward pressure on their ability to charge 30/45 % to manage a person's vacation rental. By legislating away the rights of owners to manage their own properties this legislation will hurt tourism. Who will end up paying a portion of the increased cost brought on by the monopoly the Rental Property Managers will enjoy and the fees they charge? The consumer is who! When you increase costs and prices you lessen demand which will have a negative impact on tourism in general and Hawaii as a whole.

Do I have a vested interest? You bet! But so do most Hawaiians! If you are an investor, say a Hawaiian who lives on Oahu but has a vacation rental on Maui your rights as an owner are about to be abridged. If you are an investor from the US mainland or a foreign investor you also lose as it will now cost 30 to 45% more to have your rental property. If you are a Hawaiian developer and hope to sell your finished properties to investors, your offering now makes less sense to investors which will cost you sales, increase the time you take to sell your property and make you think twice about starting a project in the first place. If you own Hawaiian real estate you will also notice a further softening in your values as the removal of many investors from the equation will hurt all property values (as if the last few years weren't hard enough). If you are a Hawaiian tax payer these Bills will have very little upside but they will definitely hurt the economy. And lastly, if you are a consumer and the cost of a vacation rental has now increased you also suffer so you may shorten your stay or you may vacation elsewhere. Once again, who wins? Oh yes, the Rental Property Manager.

Many jurisdictions such as Arizona, Nevada, California and Florida are welcoming investors and have seen investors help stem, to some degree, the blood bath of the mortgage meltdown and subsequent market collapse. In a similar vein the US Federal Government is looking to bring in a provision that provides for an extended stay residential visa (a non employment visa) for people that invest more than \$600,000 in US residential real estate. It appears that the only individuals that are looking to limit the scope of ownership for investors in the United States are to be found in the Hawaiian Senate and House of Representatives. So you have 49 states open for business, Hawaii not so much.

There is no question that GET and TAT need to be collected and paid. While there are laws in place to deal with collection and filing there could also be provisions put in place that would require owners to post their business license or tax number in their advertising which would allow for greater accountability.

As stated in the Real Estate Commission's submission to the Legislature Feb 2nd 2012

This bill

“creates an unnecessary but new specialized license of property managers within the real estate licensing statute of Chapter 467, Hawaii Revised Statutes ("HRS");

• changes the legislative policy set forth in the exceptions to the real estate licensing statute that an individual, i.e., a natural person and not an entity, who, as an owner of any real estate, may handle the management and

sale of their own real estate without a real estate license or without retaining a real estate licensee (§467-2 (1), HRS); and

• creates ambiguity with a current regulated area of condominium hotel operators as set forth in §467-30, HRS.”

As for my vested interest, I have a rental condominium in Ka'anapali, I have a business license, I file Federal and State taxes and I collect and remit GET and TAT. I am considered a foreign investor and I will be taxed higher, both in income tax, property tax and in future capital gains tax. I knew and accepted these realities before making my investment decision. Bills SB 2089 and HB 1707 are happening “after the fact” and as such were unforeseen as no other jurisdiction has sought to fetter private home ownership in this way. I am in negotiations to purchase a second vacation rental in Maui but these changes to the personal ownership rules have me considering other options. I have been in touch with at least one other who is planning to collapse their conditional sale rather than deal with both the increased cost of ownership and the potential capital losses that these Bills would engender.

I have managed my own property using the likes of VRBO and Homeaway and I hire Hawaiian residents for all my rental needs. I have a long list of happy renters from Hawaii, the mainland, Australia, Canada, Japan and the UK. My rental rates are reasonable and I provide a cost effective alternative to Hotel fees. I furnish my rental with many extras that the hotels don't and my renters value the difference. I believe as an owner you should have a choice, the owner benefits, the consumer benefits and the State benefits.

Mahalo,

Terry Gardiner

My wife and I operate a small vacation rental business here in Maui, we are legitimate and respected business owners who pay all of our taxes promptly and this business is our livelihood.

We strongly oppose this legislation, as it would have a devastating financial impact on our business as well as countless other businesses. Mandating us to hire a third party and pay a commission on our already lean business is not at all viable. We will be forced to sell our business and take our substantial investment out of Hawaii.

The impact of such legislation would have severe impact on all of the islands as well as many related businesses. Across the islands there are thousands of vacation rentals by owner. Each individual business patronizes countless other businesses such as remodeling contractors, home stores, furniture stores, utilities and we have the highest property tax rates. Our customers visit the islands and patronize many local businesses such as tour operators, restaurants, grocers, rental car companies and many more. All of these businesses will be affected. Our customers are a niche; many will no longer visit the islands and will go somewhere more affordable.

There must be a more reasonable way to insure collection of taxes due, putting so many businesses out certainly cannot be the only option.

Sincerely

Thomas Martinez

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Wednesday, February 15, 2012 6:59 AM

To: CPCtestimony

Cc: diamondon1@comcast.net

Attachments: HB1707 HD1.wps (10 KB)

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325

Testifier position: Oppose

Testifier will be present: No

Submitted by: Donald and Patricia Van Der Wende

Organization: Individual

E-mail: diamondon1@comcast.net

Submitted on: 2/15/2012

Comments:

Donald and Patricia Van Der Wende
130 Valley Oaks Dr.
Santa Rosa, CA 95409
69-180 Waikoloa Beach Dr., N-3
Waikoloa, HI 96738

RE: HB1707 HD1

To Whom it May Concern:

My wife and I are current owners of a condominium in Hawaii at the above referenced address. We manage our rentals through VRBO. We do all bookings, arrange for cleaning and repairs and file all State tax returns. This is a time consuming job, but we want to have total control of our investment. We are currently struggling to keep up with all increased costs such as utilities and HOA fees. We have tried to keep our rental rates low enough to maximize our occupancy in order to keep pace with our costs. We are not in favor of this legislation! All this does to us is take control of our home and investment out of our hands. It increases the cost of staying in our unit by at least 30%. We do not see any benefit or reason for this law. It will ultimately hurt our financial success and will result in a much higher cost to visitors who wish to visit and vacation in Hawaii. In this time of economic turmoil and lack of tourist dollars to the State of Hawaii, this law does not make much sense. Instead of promoting tourism, this law just makes the cost of coming to Hawaii much higher and will ultimately reduce tourism. This will not only put a burden on the individuals such as ourselves in renting our unit, but all owners who use VRBO or similar websites to promote and rent their units. I think the State will suffer economically due to a reduced transient occupancy tax collection. We have seen a dramatic increase already in this tax as the State tries to increase revenue due to the downturn in the economy. This law will further burden the visitors to Hawaii as I am sure that another increase in the taxes will ultimately follow. Why are you trying to add this additional level of burden to all concerned? We don't understand the reasoning or the need other than to line the pockets of real estate brokers. We strongly oppose this bill and would hope that you vote it down now!

Sincerely, Don and Patti Van Der Wende

2/15/2012

Re: HB107

To whom it may concern:

I am a Realtor but I also own a vacation rental condo. I am not in favor of this bill. The Hawaii real estate market is very depressed. Restricting the rights of owners in any way just continues to keep the market down. Forcing owners to have to go through a real estate agency will cost them even more. I can assure you as the owner of a rental unit that rental rates are down because of all the competition of owners trying to get some income from their property. This bill will provide one less reason to buy a vacation rental property in Hawaii. The GET tax and TAT tax are already quite high, which affect rental rates and could discourage potential renters. Let's give investors and second home buyers a reason to buy in Hawaii not discourage them and further depress the market.

If the purpose of this bill is to make sure that all owners of vacation rental units pay their GET and TAT tax then lets enforce that law before we pass another. I pay my tax and I'm all in favor of other owners paying theirs to keep things fair. Just enforce the law! Increase the penalties for those who don't pay. Then find some owners that are delinquent and put some heads on a pike, publicize it, and you will get the compliance you want.

It is always discouraging to see the legislature come up with unusual solutions to a problem. This bill would have unintended consequences, such as further depressing an already depresses real estate market. Those interested in second homes can and will go to other locations. Do the usual, enforce the laws on the books, strengthen them and let's create a positive encouraging atmosphere for rental property owners.

Thanks you,

Dan Fumento

Kamuela, HI

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Wednesday, February 15, 2012 6:29 AM

To: CPCtestimony

Cc: SNSN808@gmail.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325
Testifier position: Support
Testifier will be present: Yes
Submitted by: Save North Shore Neighborhoods
Organization: Save North Shore Neighborhoods
E-mail: SNSN808@gmail.com
Submitted on: 2/15/2012

Comments:

Aloha,

Please support HB1707 now, and its companion SB2089 when it comes up for a hearing.

Mahalo!

Save North Shore Neighborhoods
(A group of concerned residents)

"Working to Preserve Hawaii's residential homes, communities and quality of life".

www.SaveNorthShoreNeighborhoods.com

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Wednesday, February 15, 2012 6:03 AM

To: CPCtestimony

Cc: drzhanna@yahoo.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325
Testifier position: Oppose
Testifier will be present: No
Submitted by: zhanna sapozhnikov
Organization: Individual
E-mail: drzhanna@yahoo.com
Submitted on: 2/15/2012

Comments:

This measure would cause hardship on everyone we know. From my and others experience the agents that currently manage properties take advantage of owners and if this measure passes will do even more so. They don't care who they rent to or for how much, as long they get their commission. The participation of owners helps keep them in check.

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Wednesday, February 15, 2012 5:34 AM

To: CPCtestimony

Cc: chiatt@hawaii.rr.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325

Testifier position: Oppose

Testifier will be present: No

Submitted by: Carolyn Hiatt

Organization: Individual

E-mail: chiatt@hawaii.rr.com

Submitted on: 2/15/2012

Comments:

I oppose HB 1707 because Maui, Oahu, and the Big Island do NOT have any means for short-term rentals to be permitted. This makes real estate agents will be subject to fines for representing non-permitted vacation homes. This is the cart before the horse.

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Wednesday, February 15, 2012 5:16 AM

To: CPCtestimony

Cc: tomk1949@yahoo.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325
Testifier position: Comments Only
Testifier will be present: No
Submitted by: Tom Kell
Organization: Individual
E-mail: tomk1949@yahoo.com
Submitted on: 2/15/2012

Comments:

members of the House,
My name is Tome Kell and I own a conoo in Waikoloa Beach Villas on the big Island. I am a resident of the State of Wisconsin. I am all in favor of assuring the State is collecting all taxes owed. What I do not understand is why the current bill excludes HI residents? If there is a problem of collecting taxes, would it not be for all owners, not just non-residents? Please take the time to consider adding HI residents. I also wonder if there is a better way than forcing condo onwers to have to use a realtor. There must be away to work without having to pay a fee to someone to manage the property and collect the taxes.
Thank you for taking the time to read my comments.
Tom Kell

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Wednesday, February 15, 2012 4:46 AM

To: CPCtestimony

Cc: trnetter@yahoo.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325

Testifier position: Oppose

Testifier will be present: No

Submitted by: teresa netter

Organization: tigard llc

E-mail: trnetter@yahoo.com

Submitted on: 2/15/2012

Comments:

Realator of course want a fee pricing us ut of the market to own our condo any longer. All fees have gone up a ridicouous amount making our task of budgeting impossible.

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Wednesday, February 15, 2012 4:44 AM

To: CPCtestimony

Cc: bob@harrisdudley.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325
Testifier position: Oppose
Testifier will be present: No
Submitted by: Robert Dudley
Organization: Individual
E-mail: bob@harrisdudley.com
Submitted on: 2/15/2012

Comments:

Ladies & Gentlemen

I encourage you to vote NO for House Bill 1707 HD1. My name is Robert Dudley and I am the owner of Kuhio Shores 204, Koloa, Kauai. Last year our condo contributed approximately \$8000.00 in Transient Accommodation and General Excise taxes. The previous year the condo was a bank owned property which contributed nothing in taxes. If we are forced to use real estate brokers, the entire economics of our condo purchase will be turned upside-down. The additional burden of fees may force us to stop renting the condo. I have used brokers in the past and no one promotes my condo as well as I do.

The unintended consequences of this bill are far reaching. Every nonresident owner who rents property will now have increased expenses sprung upon them without warning. Thousands of your best promoters of tourism will be burdened with finding and paying for an unnecessary complication in the rental process. At a time when tourists are finally returning to the Islands, don't throw a wrench in the gears. If you need another enforcement tool pass a law which requires the TAT License number to be listed on any rental advertisement. This will give the Hawaii Tax Collector the ability to track the rental property.

Thank You
Robert Dudley



SONHawai'i

P.O. Box 22643
Honolulu, HI 96823

sonhawaii@hawaii.rr.com
www.sonhawaii.org

Members of the Hawai'i State House Judiciary Committee February 15, 2012
Members of the Hawai'i State House Consumer Protection Committee

SONHAWAI'I SUPPORTS HB1707

Dear Representative,

Save O'ahu's Neighborhoods (SONHawai'i) was formed in 2005 in response to a Honolulu County Council-generated push to expand the mini-hotel industry into O'ahu's residential-zoned neighborhoods. We are an island-wide all-volunteer group of residential neighbors receiving no industry or outside funding.

SONHawai'i has submitted testimony and provided information to legislators on several legislative initiatives over the past six years. We have always maintained that zoning is a County responsibility and that the State should maintain its distance and refrain from trumping County zoning. However, regulation of real estate management is within the state's purview.

We feel that HB1707 will provide some relief for our beleaguered neighbors forced to suffer from their proximity to unmanaged vacation rentals owned or operated by off-islanders. The licensing and regulation of real estate management and realtors is a state issue and we welcome this legislature's effort to regulate what are essentially hotel rooms in our neighborhoods.

As Executive Director of SONHawai'i, I frequently receive calls from frustrated neighbors of these unmanaged hotel rooms. Their complaints vary widely but the lack of professional management of the offending property is often the root cause.

We appreciate that HB1707 will have limited impact on the thousands of illegal vacation rentals on O'ahu and all the problems they bring - but at least it will provide some relief for their neighbors.

Please phone me (261-0598 or 224-4040) if there are any questions.

Sincerely,
Larry Bartley
Executive Director

"E Mālama i ka Nohona Kaiāulu o O'ahu." *Save O'ahu's Neighborhoods*

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Tuesday, February 14, 2012 9:24 PM

To: CPCtestimony

Cc: Marisafifi@yahoo.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325
Testifier position: Support
Testifier will be present: No
Submitted by: Marisa Nguyen
Organization: Individual
E-mail: Marisafifi@yahoo.com
Submitted on: 2/14/2012

Comments:

Short-term rentals need more regulations and accountability. This bill is a good step in that direction. Please vote yes on this bill.

Testimony for hearing on HB1707, Relating to Transient Accommodations

Barbara [barbarak@hawaii.rr.com]

Sent: Tuesday, February 14, 2012 7:24 PM

To: CPCtestimony

Testimony in support of HB1707

In instances where the owner of a transient accommodation lives off island, it is very important to have a responsible person who acts in lieu of the owner. Real estate personnel are bound by a number of regulations and are best suited oversee the operation of short term resort rentals. Neighbors as well as the renters need to have access to the person in charge since no owner is available. In addition to having a real estate agent act as the owner's representative, it is also important to have the nonconforming use certificate number on the rental information in counties where this is a requirement, such as in counties with a population in excess of 500,000.

Thank you for the opportunity to testify in favor of HB1707HD1.

Barbara Krasniewski
Oahu resident

Aloha Representative Cindy Evans,

I am writing to object to the proposed legislation. I purchased a condo in Mauna Lani, Hawaii in 2006, at the peak of the market, and have been able to hold on to the condo by being able to rent out the unit myself. The property management companies in Hawaii have been ripping off people for years with management fees as high as 50% of the income. What makes me believe that licensed realtors would act any different? This is another veiled attempt to give business to a special interest group, and ignoring the very people that help facilitate the Hawaiian tourist economy. I feel that to have to hire a licensed realtor to handle the renting of my condo to get tax revenue is unnecessary, as current laws should be enforced to do such. The passage of this bill will only devalue vacation properties as investments in Hawaii. I appreciate your consideration

David Giacomini

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Tuesday, February 14, 2012 7:06 PM

To: CPCtestimony

Cc: janice@takemetomaui.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325

Testifier position: Oppose

Testifier will be present: No

Submitted by: Janice Del Santo

Organization: Individual

E-mail: janice@takemetomaui.com

Submitted on: 2/14/2012

Comments:

We have owned our rental property for just two years. We are very proud to be able to own this property, enjoy our time on beautiful Maui and offer it as a place for other to enjoy the island as well. We manage the property ourselves and we do our best to represent the spirit of aloha to visitors. As well we pay what is due to the county and the state as good property owners. As for us, if we should have to pay a third party to represent us in renting our property, we would not be able to cover the costs of ownership. We would be forced to sell, if possible, or simply walk away from this dream that we have realized. I do not see how this could possibly benefit the county or the state. The housing market is struggling to recover from very difficult times and this just adds another burden on honest tax paying property owners. Do not penalize the many for the behavior of the few.

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Tuesday, February 14, 2012 5:56 PM

To: CPCtestimony

Cc: bartleyh@msn.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325
Testifier position: Oppose
Testifier will be present: Yes
Submitted by: Sharon
Organization: Individual
E-mail: bartleyh@msn.com
Submitted on: 2/14/2012

Comments:

I OPPOSE the passing of bill HB 1707 because Maui, Oahu, and the Big Island do NOT have any means for short-term rentals to be permitted. This means real estate agents will be subject to fines for representing non-permitted vacation homes. This is the cart before the horse.

First off, Hawaii State residents living on the outer islands should not be considered non-residents. They are tax-paying residents of the State of Hawaii.

Vacation rentals do not need to be forced under rental agents. The owners that care for their home and take pride in their home can provide a more warm and welcoming feel to the visitors. Most have a family member, a friend, a neighbor, or a caretaker backing them up for any emergency. I doubt that any are left totally unattended by the owners.

Please work on getting vacation rentals legalized. Create an application with any reasonable fees necessary. Give them an operator's license. The economy NEEDS these vacation rentals. The owners want to do things right. Please give them a chance.

Hotels are not always the best accommodations for families with children. Many families will not make Hawaii their destination if they are forced to stay in a hotel.

I find it so hard to believe and very disturbing that Hawaii is attempting to ban something as useful as these private vacation rentals for the sake of a few disgruntled people. It reminds me of the Superferry when a handful of people opposed it, so many needed it, but we lost it. Please do not allow the few to control the fate of these very much needed and very much appreciated vacation rentals.

Mahalo

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Tuesday, February 14, 2012 5:44 PM

To: CPCtestimony

Cc: LBTUTU@cox.net

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325
Testifier position: Oppose
Testifier will be present: No
Submitted by: Marilyn Jenks
Organization: Individual
E-mail: LBTUTU@cox.net
Submitted on: 2/14/2012

Comments:

This would be a disaster for owners who rent property as vacation rental. These people could very easily lose their property due to handing over 40% of rental income to a realtor and thereby not have the ability to pay their mortgage and AOAO fees. What about the dishonest realtors out there who WON'T pay the TAT or GET, they keep the money that is supposed to go to State of Hawaii and create a no win situation for the property owner and the State of Hawaii. Realtors like that do exist; I know of one that does this very thing with vacation rentals in the property I live in.

Also what if the "realtor" really isn't the one doing the rental? They have someone else as the "rental agent" who is not licensed? That is a situation also occurring where I live. Currently you have property owners renting their own property paying the taxes to the state, generating revenue for the state. Why would you want to gamble with losing that revenue? It will be a huge loss of revenue once these paying property owners lose their property.

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Tuesday, February 14, 2012 5:38 PM

To: CPCtestimony

Cc: nhmahi52@yahoo.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325

Testifier position: Oppose

Testifier will be present: No

Submitted by: William M Shepard

Organization: Individual

E-mail: nhmahi52@yahoo.com

Submitted on: 2/14/2012

Comments:

This bill is totally unfair to owners of rental property that are presently paying GET and TAT taxes to the state. In today's economy and the prices of airfare to the Islands from the mainland and other countries, the additional realtors fees would be prohibitive. The only ones to benefit would be the State and the realtors. Take a look at all the foreclosed properties on the Island. This bill would force owners to leave their properties that they worked so hard to acquire. Instead of encouraging tourism on Maui, this bill would DISCOURAGE TOURISM AND BENEFIT ONLY THE STATE AND REALTORS.

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Tuesday, February 14, 2012 5:34 PM

To: CPCtestimony

Cc: condos@pacificcoast.net

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325

Testifier position: Oppose

Testifier will be present: No

Submitted by: Marlene Wiggins

Organization: Individual

E-mail: condos@pacificcoast.net

Submitted on: 2/14/2012

Comments:

I believe that if I own a piece of property, pay my taxes and follow all other obligations to the government, I should be able to operate the property myself. I would not expect this from a county that always talks about freedom to conduct business in a professional manner.

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Tuesday, February 14, 2012 5:31 PM

To: CPCtestimony

Cc: paul@SunshineRainbows.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325

Testifier position: Oppose

Testifier will be present: No

Submitted by: Paul Shields

Organization: Individual

E-mail: paul@SunshineRainbows.com

Submitted on: 2/14/2012

Comments:

You in the Legislature keep punishing we who own property but live on the mainland. High taxes, different rules is by the way prejudicial to treat one group of people differently than others, but will end up with Hawaii having a lot of abandoned propertys, because we can not afford to pay some realestate person to collect out rent. No renters no tourist money, no tourist money unemployment goes up. Who will be blamed? YOU WILL.

Letter of Opposition to HB 1707

Kathryn McNitt
1118 Bush Avenue
Vallejo, CA 94591
(707) 557-3779

I am a Condo owner in Maui, how fortunate for me that I was able to purchase a modest one bedroom condo to spend some retirement time at in the next few years. Could I really afford a vacation home and associated fees? Renting out the condo when I was not there was an option. I was able to get a long term renter which just covered the AOAO fees and provide me with vacation time between rentals. GE taxes have always been collected and paid to the State of Hawaii.

Renting as a vacation rental is also an option. Taxes would still be collected and paid to the State of Hawaii, but now 40% of what intermittent rent is collected will be going to Realtors. I have the right to interview and control who goes into my condo, when an agent is used, I lose that control. I am not even allowed to have my renter's phone number while occupying my home. Mandating condo owners or anyone with a vacation rental to use Realtors will only create a culture of cheaters who cannot or will not pay such a high priced commission and only put money in the hands of Realtors to handle something I am perfectly capable to handling myself. Many, many of these owners are just barely able to hold onto their condos. So many have used their life savings to try to have these vacation homes only to have the economy and housing market tank on them. This proposed action will force many more owners to walk away from their condos creating an even greater burden on the AOAOs of these buildings. Even now, there are so many empty condos in my building that I must ante up a share of the costs that would have been paid by thriving condo owners.

There is a tremendous inventory of vacation rentals causing most condo owners to keep rental prices low to be competitive and most are not even at 50% occupancy. Adding 40% to the current rates just to maintain the status quo will push even honest vacation rental owners to cheat and the current cheaters will continue find a way around the law.

We currently have laws on the books to address what we are supposed to do as vacation rentals as well as laws for those who do not comply. This proposed bill will only add to the spiral and not repair Hawaii's lack of revenue stream. Since the assumption is that most condo owners to not live on island, is there also an assumption that they have a deep pocket and that this will solve your economic crisis? If the straw has not broken the camel's back yet, this bill surely will.

Bill HB 1707 is a BAD IDEA.

Thank you,

February 14, 2012

This letter is in opposition to HB 1707.

I reside in California and own a small condominium on Maui. We use the condo for our vacations and when we are not there, occasionally rent the condo to vacationers. Due to the current economic circumstance throughout the world, many people have walked away from second homes. Doing so has created fiscal chaos for many individuals, lenders, and owner organizations (i.e. AOA) There is an abundance of properties available to rent in Hawaii making competition for renters fierce. When the supply is so abundant, the rental prices go down.

As it is, when we rent our condo, we do so at a low rental rate to make it attractive. If we make just enough money to pay the association dues and taxes we are satisfied. There is no real profit. We are law abiding citizens and always pay our occupancy taxes to the state of Hawaii.

HB1707 proposes to require us to use a realtor for vacation rentals. Since we just make expenses, there is no money to pay a realtor. If everyone followed rules and used a realtor to rent their properties, rents would go up at about the same rate throughout the state. That is not likely. Owners will cheat. Cheaters will receive an unfair advantage and make the whole process undoable for honest, tax paying owners. This legislation will create a deeper burden for owners, many of whom are likely to abandon their properties.

Simply put, if we are required to use a realtor to rent out our vacation rental, we will stop renting it out. If we stop renting it out, we will no longer receive the occupancy taxes we now send to the state of Hawaii. If this legislation passes, it will have the effect opposite to what was intended by the legislature.

Hawaii law already provides a process for occupancy tax collection enforcement. If the process does not work, fix it. Don't contribute to the fiscal crisis and allow cheaters to prevail.

Sincerely,

John McNitt
1118 Bush Ave.
Vallejo, CA 94591

Aloha Committee Members,

We write in opposition to HB 1701. We are nonresident owners of a condo in Maui since 2003. We have rented out our condo for many years and scrupulously collect and pay the TAT and GET. Last year our payments to the state for these taxes were almost \$8,000.

When we first bought our condo we used a licensed real estate broker on the island to manage our property. They charged us 40% of the gross rental income for this service. We were never entirely comfortable with this arrangement. Aside from the very high cost, we did not like the lack of control we had over who our property was rented to and the price they charged. We also could not be sure that the amount they actually rented the condo out for was correctly reported to us or that all of the nights the condo was rented were reported to us. A former employee of the realtor told us after we stopped using the service that these concerns were justified.

We never made any money when we rented our condo through the realtor so we started renting it ourselves. On a cash basis, ignoring the depreciation expense, we now make enough profit annually to justify the wear and tear on our condo from our guests. If you pass this law and force us to use a realtor again, our profit will disappear. If we aren't able to make any money from renting out our condo, why would we bother? If we stop renting it out, the state will lose the TAT and GET taxes that we pay, and in addition, the taxes that the cleaning service we use pays on its profits.

What do you believe will happen to property values if this law passes? If potential new owners are looking at being forced to hire a property manager that will take 40% of their rental revenue, don't you think they will reduce the price they are willing to pay to buy a property? Likewise, don't you think that many existing owners whose cash flows have been severely reduced will look to sell their properties? I know that we will seriously consider that option if this law is enacted. What will further declines in property values and therefore reduced property tax receipts do to benefit the Hawaiian economy?

Finally, we aren't attorneys, but how is it fair or constitutional to have a law enacted that forces one set of onerous rules on nonresidents but not the same onerous rules on residents? This smacks of "taxation without representation".

You already have laws on the books that provide for the collection of the TAT and GET. Why are those laws harder to enforce than this new law would be? Please oppose HB 1701.

Mahalo,

Michael & Carol Hatley
916 N. Rowell Ave.
Manhattan Beach, CA 90266

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Wednesday, February 15, 2012 8:38 AM

To: CPCtestimony

Cc: JayGroeniger@aol.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325

Testifier position: Oppose

Testifier will be present: No

Submitted by: Jaylene Groeniger

Organization: Individual

E-mail: JayGroeniger@aol.com

Submitted on: 2/15/2012

Comments:

I believe this bill is treading on an individuals liberty and freedom of choosing. To mandate that an owner of a vacation property must have a "company" provide a service that they themselves are capable of handling and choosing to do so, is unconstitutional. This infringes on our liberties. This will detrimentally impact your vacation ownership in the State of Hawaii and will allow companies to monopolize and control the cost of accommodations, thus further impacting your economy. There is no logic to support this bill and I would urge you to not pass this bill.

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Wednesday, February 15, 2012 8:37 AM

To: CPCtestimony

Cc: bethgregoire@gmail.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325

Testifier position: Oppose

Testifier will be present: No

Submitted by: elizabeth gregoire

Organization: Individual

E-mail: bethgregoire@gmail.com

Submitted on: 2/15/2012

Comments:

I am opposed to the mandatory requirement of having a realtor for vacation rentals. I am not an owner of a vacation unit but have relatives that have one unit at Hale Ono Loa in Lahaina/Honokowai.

I reside on Maui and when rentals are made by my mainland family I am available for assistance as needed.

The realtor requirement does not show any benefit to them as owners or to the rental process that I can tell and the expense is an unnecessary hardship in a barely recovering industry.

Thank you. Elizabeth Gregoire for Hale Ono Loa #109

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Wednesday, February 15, 2012 8:22 AM

To: CPCtestimony

Cc: shawn@icogitate.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325
Testifier position: Oppose
Testifier will be present: No
Submitted by: Shawn Lohay
Organization: Individual
E-mail: shawn@icogitate.com
Submitted on: 2/15/2012

Comments:

As a non-resident owner of a vacation rental condo in The Fairway Villas at the Waikoloa Beach Resort, I strongly oppose HB 1707 and respectfully ask you to find another way to enforce tax collection and payment.

The proposed requirement to use a salesperson or realtor as a "middle man" to collect rental fees and taxes from guests places an unfair financial burden on those of us who rent out our condos ourselves, and will finally force me to sell my vacation home.

My rental property has been running at a loss since I bought it from the developer in 2003. The first year, I used Outrigger as my property management company, but they kept 60-70% of the rental income. I would have defaulted on the mortgage payment at that rate, so I decided to rent the condo on my own through VRBO. This has increased the amount I am able to keep in my pocket but I still fall short of the amount needed to pay the mortgage each month.

If the system is being cheated now what makes you think property owners are going to suddenly comply and hire a realtor? The proposed legislation doesn't make sense; it only benefits Property Managers at the expense of people like me who manage their second homes as vacation rentals.

I LOVE owning a piece of paradise, and hope to retire on the Big Island some day. But if this legislation passes, it will be "the straw that breaks the camel's back," and I will be forced out of the market. Please do not penalize owners who are complying with the law and collecting and submitting TA and GE taxes.

I pay my taxes, and my guests inject money into Hawaii's struggling economy as I do myself whenever I visit my second home. If these bills pass I guarantee the rate of Non Judicial foreclosures and the delinquency rates for Maintenance fees will rise dramatically throughout the Islands.

These are the wrong bills at the wrong time. I urge you to vote NO.

To: Esteemed members of the committee

From: Julie and Tyler Williams
68-1125 N Kaniku Dr #1702
Kamuela, HI 96743

Dear Representatives,

I am writing concerning HB1707 HD1, RELATING TO TRANSIENT ACCOMMODATIONS. My family and I own one second home, on the beautiful Big Island of Hawaii. We purchased this town home in November 2006 as both a long term investment and a vacation home for our family. The only way this purchase was possible for us financially was the knowledge that we could rent it out as a vacation rental ourselves. I have taken on this task and we rent our town home legally, taking in the taxes from our renters, and then submitting them monthly to the state of Hawaii. We have *never* been late on a tax filing.

In spite of taking on the responsibility of renting our home ourselves, with the help of some wonderful on island maintenance people who we work closely with to help care for our home, we still do not cover the costs of our mortgage (having bought at the height of the real estate market), the HOA fees and our maintenance and utilities. It is already a financial hardship to us personally to keep our home. Our home value is underwater as it is and the added financial burden this bill represents by forcing us to use a real estate agent to rent our home would cause a financial burden we do not have the ability to bear. This bill will only further depress the Hawaii Real Estate market and hurt real estate agents because it has a high likelihood of sending more properties into short sell or foreclosure status. When a property is in foreclosure it also means income loss for the maintenance people, utility companies and extra services these homes require when they are in full use.

This bill also hurts Hawaii's reputation and further limits future investment in the state. If future potential property owners think their rights and investment could be so quickly trampled upon they will invest elsewhere. This limits Hawaii's path out of the recession.

In addition to the financial strain this bill imposes on homeowners, it also takes the responsibility of who we allow in our homes out of our hands. Our home is special to us and we carefully screen all our renters. Because of this special care and screening our home is in the kind of condition we like it to be in when we arrive to enjoy it. Our observation is that renters care better for a home when they speak to the actual owner of the home and not a third party.

Please consider the far-reaching ramifications of this bill for the overall state of the Hawaiian economy. Vacationers love Hawaii and we feel like we are just barely seeing the light at the end of this long recession in renewed traveler interest and ability to visit the state. Please do not add additional entanglements that would hamper the financial well being of the Hawaiian residents because their fate is tied so closely to the property owners. We have all invested in Hawaii, whether we reside there, or enjoy a few weeks a year there as homeowners. Our hope is that Hawaii will rebound quickly from the devastation this real estate debacle has caused for the state, and I firmly believe that HB1701 HD1 is not the way to grow Hawaii.

Thank you for taking the time to read and consider this testimony.

Mahalo,

Julie & Tyler Williams Ph: 406-587-6275

Testimony for HB1707 on 2/15/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Wednesday, February 15, 2012 9:05 AM

To: CPCtestimony

Cc: Galapagos_hombre@yahoo.com

Testimony for CPC/JUD 2/15/2012 2:00:00 PM HB1707

Conference room: 325

Testifier position: Oppose

Testifier will be present: No

Submitted by: Steve Adams

Organization: Individual

E-mail: Galapagos_hombre@yahoo.com

Submitted on: 2/15/2012

Comments:

This like saying that all car repairs must be done by a licensed mechanic. This a huge infringement on my personal rights that I can't believe it is even being proposed. Is their some property management PAC paying some legislatures off? This is anti-small business because it effectively eliminates the ability of same cleaning companies to earn income. I am a resident condo owner who occasionally rents our condo for less than month. I live in a complex that is zoned for vacation rentals. And I employ independent cleaning crew on those few occasions. Will you be giving them the pink slip because they don't work for a property management company.