

NEIL ABERCROMBIE
GOVERNOR

BRIAN SCHATZ
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION

P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

FREDERICK D. PABLO
DIRECTOR OF TAXATION

RANDOLF L. M. BALDEMOR
DEPUTY DIRECTOR

To: The Honorable Marcus Oshiro, Chair
and Members of the House Committee on Finance

Date: Thursday, February 23, 2012

Time: 1:00 p.m.

Place: Conference Room 308, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: H.B. 1707 HD2 Relating to Transient Accommodations

The Department of Taxation (Department) supports the intent of H.B. 1707 HD1, and provides the following information and comments for the Committee's consideration.

H.B. 1707 HD1 requires nonresident owners of residential single family dwellings, apartments, or townhouses who rent their property as a transient accommodation for 30 days or less to rent the property through a licensed real estate broker or salesperson. "Nonresident owner" includes state residents who live on an island different from where the transient accommodation is located.

The Department defers to the Committee as to whether only individuals licensed under Chapter 467, Hawaii Revised Statutes (HRS), should serve as third-party property management agents for nonresident property owners that are providing transient accommodations subject to the transient accommodations tax (TAT). This measure, however, will assist the Department in its effort to increase compliance and collection of the TAT.

Currently, even if nonresident property owners are aware that the TAT may apply to their activities, it is difficult for the Department to enforce the law if both owner and renter are located outside Hawaii, and money transfers via the internet (ie, Paypal) or other methods outside the physical boundaries of the State.

The Department notes the following concerns regarding the bill, as written:

- The measure is inconsistent with the current application of Chapter 237D, Hawaii Revised Statutes (HRS), which imposes the transient accommodation tax (TAT) where an accommodation is occupied for **less than 180 consecutive days**. As a result, rentals for 31-179 days would not require a locally-based rental property manager.
- Subsection (b) requires the non-resident owner to comply within seven days of receiving notice from the Department of Taxation. We believe this may be insufficient time for a

Department of Taxation Testimony
FIN HB1707 HD2
February 23, 2012
Page 2 of 2

non-resident owner to secure a local property manager under contract. Also, we do have some concerns should a nonresident owner want to contest the fines.

Thank you for the opportunity to provide comments.



NEIL ABERCROMBIE
GOVERNOR

BRIAN SCHATZ
LT. GOVERNOR

STATE OF HAWAII
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
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HONOLULU, HAWAII 96809
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KEALI'I S. LOPEZ
DIRECTOR

PRESENTATION OF
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
REGULATED INDUSTRIES COMPLAINTS OFFICE

TO THE HOUSE COMMITTEE ON
FINANCE

TWENTY-SIXTH STATE LEGISLATURE
REGULAR SESSION, 2012

THURSDAY, FEBRUARY 23, 2012
1:00 P.M.

TESTIMONY ON HOUSE BILL NO. 1707 H.D.2
RELATING TO TRANSIENT ACCOMMODATIONS

TO THE HONORABLE MARCUS R. OSHIRO, CHAIR,
AND TO THE HONORABLE MARILYN B. LEE, VICE CHAIR,
AND MEMBERS OF THE COMMITTEE:

The Regulated Industries Complaints Office ("RICO") of the Department of Commerce and Consumer Affairs appreciates the opportunity to testify on House Bill No. 1707 H.D.2, Relating To Transient Accommodations. My name is Daria Loy-Goto, RICO's Acting Complaints and Enforcement Officer.

House Bill 1707 H.D.2 requires nonresident owners of single family dwellings, apartments, condominiums, or townhouses who rent their property as a transient accommodation for 30 days or less to rent the property through a

licensed real estate broker or salesperson. The bill also provides that a licensed real estate broker or salesperson authorized by the nonresident owner to collect rent must do so in compliance with certain state laws. The bill also identifies the Department of Taxation as the agency to enforce noncompliance.

While RICO supports efforts to ensure that general excise taxes and transient accommodations taxes are timely paid and collected, RICO notes that the requirement that rentals by non-resident owners be conducted through a real estate licensee will be difficult to implement. Although many owners of transient accommodations operate in compliance with applicable county laws, it is no secret that there are a sizeable number of owners that do not. If owners of illegal vacation rentals must hire licensed real estate salespersons or brokers to assist them, those licensees run the risk of committing a licensing violation. This is because licensees cannot engage in conduct that violates applicable laws, such as zoning laws.

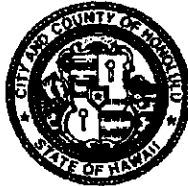
If the Committee is inclined to adopt this measure, RICO suggests that conforming revisions be made to the language of section 467-2(1), Hawaii Revised Statutes. This section authorizes owners to engage in real estate activity relating to their own property.

Thank you for this opportunity to testify on House Bill No. 1707 H.D.2. I will be happy to answer any questions that the members of the Committee may have.

DEPARTMENT OF PLANNING AND PERMITTING
CITY AND COUNTY OF HONOLULU

650 SOUTH KING STREET, 7TH FLOOR • HONOLULU, HAWAII 96813
PHONE: (808) 768-8000 • FAX: (808) 768-6041
DEPT. WEB SITE: www.honoluluodpp.org • CITY WEB SITE: www.honolulu.gov

PETER B. CARLISLE
MAYOR



DAVID K. TANOUE
DIRECTOR

JIRO A. SUMADA
DEPUTY DIRECTOR

February 23, 2012

The Honorable Marcus R. Oshiro, Chair
and Members of the Committee on Finance
House of Representatives
State Capitol
Honolulu, Hawaii 96813

Dear Chair Oshiro and Members:

Subject: House Bill No. 1707, HD2
Relating to Transient Accommodations

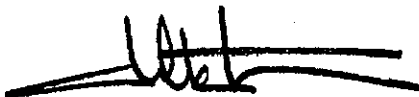
The Department of Planning and Permitting **supports** House Bill No. 1707, HD2, which requires nonresident owners of single family residential dwellings, apartments, condominiums, or townhouses who rent their property as a transient accommodation for 30 days or less to rent the property through a licensed real estate broker or salesperson. Further, the bill provides penalties for noncompliance.

The Department of Planning and Permitting is responsible for the administration of the Nonconforming Use Certificates (NUC), which are issued to qualified applicants to allow for the conduct of transient vacation rental operations. Without the NUC, the use is prohibited in all zoning districts except hotel resort. However, enforcement efforts against illegal vacation rental operations have been difficult, partly because many property owners, who are conducting vacation rental operations illegally, are nonresidents of Oahu. This makes it difficult for our inspectors to contact the homeowner. For this reason, the proposals in this bill will provide us two immediate benefits: 1) There would be a designated contact person, who should be more familiar with the City's Land Use Ordinance and the restrictions for conducting the vacation rental operations; and 2) The licensed real estate brokers or salesperson will be subject to the regulatory provisions enforced by the State Department of Commerce and Consumer Affairs, Regulated Industry Complaints Office and the State Department of Taxation. This bill will serve as a catalyst for enhanced enforcement efforts between State and City agencies.

The Honorable Marcus R. Oshiro, Chair
and Members of the Committee on Finance
House of Representatives
Re: House Bill No. 1707, HD2
February 23, 2012
Page 2

Please adopt House Bill No. 1707, HD2. Thank you for this opportunity to testify.

Very truly yours,

A handwritten signature in black ink, appearing to read 'DT', is written over a horizontal line.

David K. Tanoue, Director
Department of Planning and Permitting

DT:jmf

hb1707hd2-TransientAccomm-mf.doc

Condominium Rentals Hawaii



362 Huku Li'i Pl., # 204, Kihei, HI 96753 • Tel (808) 879-2778 • Toll Free (800) 367-5242 • Fax (808) 879-7825

February 21, 2012

Dear House Members:

I am writing to express my **strong support** for HB 1707.

With the growth of the Internet over the past decade we have seen a rapid increase in the number of property owners who are renting their own condominiums to Hawaii visitors. This change in how vacation rentals are booked has seen two issues arise that need to be addressed: 1) consumer protection and 2) unpaid GE and TA taxes, the latter being a concern of your committee.

I am aware of condo owners that are not reporting any revenue on the rentals they procure. While management companies such as ours are required to report all income to the State and Federal government with Form 1099, we do not report any income generated directly by the property owner.

The State currently has no way of determining what, if any, income is being unreported or underreported. In my investigation of condo owners in our rental program that do their own rentals I have come across a significant percent that are not reporting any income on their own reservations. While it is possible they are not charging for these guest stays, I do not believe this is the case.

Although the majority of the individuals offering their property for vacation rentals are nonresident, I would suggest that all properties should be covered by this bill. We are required to hold client funds in a trust account in a federally insured financial institution in Hawaii. These individual owners are not required to do the same. I am aware of at least one instance where a condo owner lost his property to foreclosure and had advised his future guests that he had spent their deposits and no refund would be forthcoming.

You will receive testimony from property owners who are opposed to this bill. I suspect these are the owners who are playing by the rules and I can understand their concerns. Unfortunately, there is a large number who are not paying their share and are not looking out for the consumer's best interest and I believe this bill will be the best solution to address this out of control situation.

Yours very truly,

R. Allan Raikes
President

RAR/lm



February 23, 2012

TO: HOUSE COMMITTEE ON FINANCE
House Representative Marcus R. Oshiro, Chair

FROM: Daniel Dinell
ARDA – Hawaii, Chair

Re: HB 1707, HD2 – RELATING TO TRANSIENT ACCOMMODATIONS

Dear Chair Oshiro and members of the 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, HD2.

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 manager, 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"



75-5737 Kuakini Hwy. Suite 208
Kailua-Kona, HI 96740
Phone: 329-1758 Fax: 329-8564
www.Kona-Kohala.com info@kona-kohala.com

Testimony to the House Committees on Finance
Thursday, February 23, 2012 at 1 p.m.
Conference Room 308
State Capitol
415 South Beretania Street

RE: HOUSE BILL 1707 - Relating to Transient Accommodations

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

My name is Vivian Landrum, and I am the President/CEO of the Kona-Kohala Chamber of Commerce (KKCC). KKCC represents over 520 business members and is the leading business advocacy organization on the west side of Hawai'i Island. KKCC also actively works to enhance the environment, unique lifestyle and quality of life in West Hawai'i for both residents and visitors alike.

The Kona-Kohala Chamber of Commerce supports HB 1707 to require nonresident owners to utilize the services of a real estate property manager licensed under HRS 467.

As a Chamber of Commerce, we are frequently the recipient of letters, emails and phone calls from visitors to our Island. Many are sharing their love of our destination, however some are registering complaints. I can testify we have received correspondence from some who have rented condominiums directly from owners via the internet and were not satisfied with their accommodations. They were unable to receive any satisfaction from the owners and had nowhere to turn. Needless to say, their experience resulted in a desire never to return.

Not only would HB 1707 provide an avenue for the collection of the required transient accommodation tax, but would also provide these visitors with a reliable on-island connection to ensure their stay is the positive experience it should be. For these reasons I urge you to support this bill.

Mahalo for the opportunity to submit testimony.

Sincerely,

A handwritten signature in cursive script that reads "Vivian Landrum".

Vivian Landrum
President/CEO



Maui Hotel & Lodging
ASSOCIATION

Testimony of
Carol Reimann
Executive Director
Maui Hotel & Lodging Association
on
HB1707, HD2
Relating to Transient Accommodations

COMMITTEE ON FINANCE
Thursday, February 23, 2012, 1:00pm
Room 308

The Maui Hotel & Lodging Association (MHLA) is the legislative arm of the visitor industry. Our membership includes over 130 property and allied business members in Maui County – all of whom have an interest in the visitor industry. Collectively, MHLA’s membership employs over 10,000 local residents.

MHLA supports HB1707 HD2 which will require all non-resident property owners who rent their property as transient accommodations to rent their property through a licensed real estate broker or sales person who must collect applicable taxes for the rental of their property.

Currently, many property rental management programs such as Outrigger, Aston, Classic Resorts, etc already have the approval of the real estate commission to operate transient accommodation units. Requiring all property owners to do the same will help to curtail under-the-radar transient accommodation rentals who do not pay their fair share of taxes.

MHLA strongly believes that all properties in the “transient rental business” should operate on the same level playing field. All transient accommodation rentals should be assessed and taxed on an equitable basis with hotels, timeshares and resort condominiums. Their operations must be legal, and in compliance with all Federal, State and County laws and regulations. Requiring all property owners to rent their transient accommodations under the auspices of the real estate commission will help to ensure that all property owners in this rental market pay their fair share.

The bill will also add professionalism to independent rental properties by requiring a legitimate local entity available who understands the nature of the transient accommodations, pays the proper taxes and who would be available to assist with consumer protection issues.

We urge you to support HB1707 HD2.

Thank you for the opportunity to testify.



OUTRIGGER

ENTERPRISES GROUP

Hospitality • Retail • Development

HOUSE OF REPRESENTATIVES
THE TWENTY-SIXTH LEGISLATURE
REGULAR SESSION OF 2012

COMMITTEE ON FINANCE
Representative Marcus R/ Oshiro, Chair

2/23/12
Rm. 308, 1:00 PM

HB 1707, HD 2
Relating to Transient Accommodations

Chair Oshiro and Members of this Committee, my name is Max Sword, here on behalf of Outrigger Hotels Hawaii in support of this bill, for a number of reasons.

It is a fairness issue, as well as a safety and operational issue.

While there are non-resident owners of condos or apartments used for short-term rentals, who pay their GET and TAT taxes, there are great many who do not. Or do they? No body knows. With the advent of the Internet, websites such as VRBO (Vacation Rentals By Owner) allows a traveler to book directly with the owner of a unit. All this is done offshore and nobody knows whether they pay their fair share of taxes or not. It would be fair that any offshore transaction be asked to pay their share of taxes like the rest of us who are here in Hawaii.

On the safety issue, how does the authorities know, such as during the tsunami alert last year on Kauai, whom to contact to notify the occupants of the various rental units in Hanalei.. Having a local contact would have alleviated all of those problems.

Operationally, it can be a headache in a condo hotel property. What happens when the management company who may operate a majority of the units in a condo has a problem with a unit that is not in the rental program, but booked thru a VRBO site? They have no way of knowing whom to contact. Just like the situation in Kauai, we have a problem.

Thank you for allowing me to testify.

Kona Onenalo Association of Apartment Owners

To: The Honorable Robert Herkes, Chair and Members of the House Committee on Consumer Protection and Commerce

The Honorable Gilbert Keith-Agaran, Chair and Members of the House Committee on Judiciary

Date: Tuesday February 21, 2012

From: John C Leonardo, Hawaii Tax ID # 0079950-01
President, Kona Onenalo Association of Apartment Owners

Re: H.B. 1707 HD1 Relating to Transient Accommodations

On behalf of the Owners at Kona Onenalo, I am writing to oppose this legislation. If there was ever a case of throwing the baby out with the bath water this is it. Interposing an additional agent on the large number of vacation rental transactions covered by this legislation will cost Hawaii much more than lost tax revenues. Believe it or not, Hawaii does not stand alone as a vacation destination. We are already seriously impacted by the 13.35% tax levies on transient rentals which are among the highest in the US. Adding another 20 to 30% surcharge for a licensed real estate agent/property manager will price our properties out of the market, or worse, cause thousands of renting owners to either abandon their rental programs or the properties themselves. This legislation will have unintended consequences in the current depressed real estate market and seriously impact Hawaii's choices and competitiveness in the vacation rental market.

The fact that this legislation only applies to off shore owners will place them at a tremendous pricing disadvantage to resident owners. It also severely penalized those of us who have legally and faithfully paid our GET and TA taxes and reported our income.

As honest taxpayers we see the tax collection problem and sympathize with the Legislature's intent, but this is not the way to solve this problem. This proposed legislation is grossly unfair to the thousands of us who have faithfully complied with the tax laws and effectively managed vacation rental properties on our own. Overnight it will basically wipe out a huge chunk of our income and hand it over to licensed real estate agents who will only perform as tax collectors for the state and no more.

Surely, the Legislature and the Department of Taxation can come up with enforcement programs that don't unfairly penalize law abiding owners and deliver a windfall to undeserving real estate professionals. By all means go after the offending tax cheats, but please don't kill the goose that lays the golden eggs. This proposed legislation is not only unfair in its scope, but will also seriously impact Hawaii's attractiveness as a vacation rental market for both potential owners/investors and for vacationers themselves.

Sincerely,

(signed) John C Leonardo
77-6516 Alii Drive
Kailua-Kona, HI 96740

Kona Onenalo Association of Apartment Owners



February 22, 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 has grown 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.

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.

An 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 Finance committee.

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

with this section by an owner or landlord dealing directly with the tenant and shall be stopped from any objection to a failure to serve process upon an owner or landlord in any proceeding arising under this chapter when such failure is due to failure to comply with this section. The owner or landlord who deals directly with the tenant and fails to comply with this section shall be deemed an agent of every other landlord under the rental agreement for performing the obligations of the landlord under this chapter and under the rental agreement.

(d) In the case of a written rental agreement, the landlord shall furnish a copy of the lease or rental agreement to the tenant.

(e) The landlord shall furnish to the tenant a written receipt for rents paid at the time of payment. Canceled checks shall also constitute and fulfill the requirement of a written receipt. If rent is paid by check, the landlord shall furnish a receipt therefor, provided a receipt is requested by the tenant.

(f) Any owner or landlord who resides without the State or on another island from where the rental unit is located shall designate on the written rental agreement an agent residing on the same island where the unit is located to act in the owner's or landlord's behalf. In the case of an oral rental agreement, the information shall be supplied to the tenant, on demand, in a written statement.

(g) Subsections (a) and (b) to the contrary notwithstanding, the information required to be disclosed to a tenant, instead of being disclosed in the manner described in subsections (a) and (b), may be disclosed as follows:

(1) In each multi-unit single-owner dwelling structure containing an elevator, a printed or typewritten notice containing the information required by subsections (a) and (b) shall be placed and continuously maintained in every elevator and in one other conspicuous place;

(2) In each multi-unit single-owner dwelling structure not containing an elevator, a printed or typewritten notice containing the information required by subsections (a) and (b) shall be placed and continuously maintained in at least two conspicuous places;

(3) In each multi-unit dwelling structure, a printed or typewritten notice containing the information required by subsections (a) and (b) shall be posted within the unit in a conspicuous place.

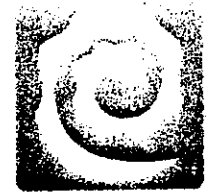
(h) Landlords shall provide their general excise tax number to all tenants for the purpose of the purpose of filing for a low-income tax credit.

HRS Section 521-44 Security deposits.

(a) As used in this section "security deposit" means money deposited by or for the tenant with the landlord to be held by the landlord to:

(1) Remedy tenant defaults for accidental or intentional damages resulting from failure to comply with section 521-51, for failure to pay rent due, or for failure to return all keys

Rent By Owner Hawaii Tax & Visitor Implications



Exclusive
GETAWAYS

Revenue Perspective

Properties	5000
Revenue	\$200,000,000
Excise	\$8,332,000
TAT	\$18,500,000
Total Tax	\$26,832,000

Visitor Perspective

Properties	5000
Stays	127,700
Visitor Total	450,000

Assumptions:

5000 properties is a very conservative estimate

Revenue assumes 50% occupancy at \$222/Night, \$40,000 per property

3.5 Visitors / Stay

Stay = 7 days

HB1707

Dear Representative Oshiro(Chair) and Senator Baker

Unlike many nonresident owners we strongly support the proposed requirement for resident agents to deal with visitors to Hawaii to deal with immediate problems which can arise for visitors. We feel that this area has for a long time been neglected by the legislators, and will result in an improved experience for visitors wishing to rent condos as our renters do in Kahana, Maui.

We are aware of problems which have arisen with other visitors to Hawaii which arose when no resident agent was available to solve these problems.

Our agents, Klahani Travel, have made visitors welcome and happy with their Hawaiian experience for many years now and we have been very pleased with having them represent us.

Sincerely,

John and Donna Trevithick,

Owners, unit 204, Valley Isle Resort,

DR JOHN TREVITHICK

PROFESSOR EMERITUS, BIOCHEMISTRY,

PROFESSOR, PATHOLOGY,

SCHULICH SCHOOL OF MEDICINE,

ADJUNCT PROFESSOR, KINESIOLOGY,

FACULTY OF HEALTH SCIENCES,

UNIVERSITY OF WESTERN ONTARIO.

LONDON, ON, N6A3K7

2170 THAMES HALL, UWO

519-472-8518 HOME

519-661-3063 OFFICE

519-661-2008-FAX

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 23, 2012 9:06 AM
To: FINTestimony
Cc: darakawa@lurf.org
Subject: Testimony for HB1707 on 2/23/2012 1:00:00 PM

Testimony for FIN 2/23/2012 1:00:00 PM HB1707

Conference room: 308
Testifier position: Oppose
Testifier will be present: Yes
Submitted by: David Arakawa
Organization: Land Use Research Foundation of Hawaii
E-mail: darakawa@lurf.org
Submitted on: 2/23/2012

Comments:

While we support the general intent of HB 1707 - to have non-resident owners pay their state taxes on transient accomodation rentals, we must OPPOSE HB 1707, based on, among other things, (1) it punishes law-abiding non-resident owners who pay their taxes, by requiring them to hire realtors; (2) it does not impose the same requirement to hire a realtor on resident owners who do not pay their taxes; (3) Hawaii law already requires owners of transient accomodations to pay taxes, and the State Tax Department should make efforts to enforce those laws, rather than force non-residents to hire realtors; and (4) there are less draconian ways of encouraging compliance with the requirement to pay taxes - perhaps requiring all owners of transient accomodations to list their GET license number on their written and internet advertsing, and/or requiring anyone responsible for renting such units to take a training course developed by the State Tax Department which explains their responsibilities to pay state taxes - such courses could be free and include the option of taking the course via the internet.

February 22, 2012

RE: Testimony Supporting **HB 1707**

I am providing testimony in support of **HB 1707**.

Managing vacation rentals is harder than anyone thinks. Issuing Keys, scheduling cleaning & maintenance, arranging check-ins and check-outs, collecting rental income, taxes, and security deposits are just a portion of what it takes to manage a property effectively.

Guests to Hawaii deserve the best experiences possible, especially if the owner is not on-island to provide the necessary support to manage their transient rental. The State of Hawaii needs these guests to have exceptional experiences here so they continue to return to the islands and support our local economies. The best ways to ensure this happens is to have a licensed agent, bound by HRS 467 manage the rentals owned by off-island persons.

Passing HB 1707 will not only help in raising the standards for guests to the islands who enjoy our vacation rentals, it also protects their funds as all monies paid to licensed agents are placed in the manager's Client Trust Account. Further, having a property manager collect, hold, and disperse the funds means that these rental incomes become visible to the State.

When out-of-state owners rent their properties via the internet chances are that they are not putting the funds in a secure trust account, and that they are not reporting the transaction to the State, making the tax authorities effectively blind to this revenue. This is not a position a State Tax agency can allow itself to be in.

Property managers here on Oahu have stiff competition. We work on ever decreasing margins to remain competitive. We offer excellent value and service not only to our owners that we represent, but also to the guests that come to visit. When owners seek to rent their property on their own, without charging taxes, we can't compete, and it hurts everyone: The State, the small management companies, and potentially the guest who books with an off island owner.

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.

Mahalo,
Kristin Counter

Pat Sullivan

HB1707

From: Pat Sullivan
Sent: Tuesday, February 21, 2012 5:51 PM
To: repmoshiro@capitol.hawaii.gov; 'replee@capitol.hawaii.gov';
'repchoy@capitol.hawaii.gov'; 'repcullen@capitol.hawaii.gov';
'rephar@capitol.hawaii.gov'; 'rephashem@capitol.hawaii.gov';
'repichiyama@capitol.hawaii.gov'; 'repjordan@capitol.hawaii.gov';
'repclee@capitol.hawaii.gov'; repmurumoto@capitol.hawaii.gov;
'repriviere@capitol.hawaii.gov'; 'repward@capitol.hawaii.gov'; 'Rep. James Tokioka';
'repkawakami@capitol.hawaii.gov'; 'repmorikawa@capitol.hawaii.gov';
'repyamashita@capitol.hawaii.gov'
Cc: 'Rep. Cindy Evans'; 'repherkes@capitol.hawaii.gov'
Subject: House Finance Committee

Aloha House Committee on Finance,

I support this Bill.

My firm has operated in vacation rentals (and real estate sells) on Maui since 1979. My vacation rental operation is and will continue to have a significant negative impact in the future because of Non-Resident Rentals by Owner (RBO).

The list is more extensive but below are obvious points as to why this Bill should be passed:

1. The RBO will continue to grow exponentially without oversight by the State Legislature to hold Non-Resident Owners accountable to pay their GET & TAT taxes.
2. **Funds not being collected have to exceed \$30 million a year and growing.**
3. The RBO Owners do not issue 1099's to any of the people that work for them (handyman, housekeeper, on island friend, landscapers).
4. Realtors (Property Managers) have offices that provide/pay the State through W-2's, Workers Comp, TDI, Liability Insurance, Bonds, rent offices, CPS's, etc...monies that support the local economy and vote!
5. **Realtors are controlled by State Statues to maintain Trust Accounts to protect Consumer/Owners.**
6. **Non-Resident Owners should use Realtors to collect their rental monies to insure the State gets paid their GET & TAT.**
7. Free market enterprise between competing Realtors (Property Managers) will not cost the Non-Resident Owner excessive management fees!!...and the State will be ensured it is getting paid its rightful taxes!!
8. Realtors may take on these Non-Resident Owner rental income reservations for as little as \$600 to \$800 a month...don't let those RBO make you think they will have to pay 30 to 50% of their rental income to us Realtors.
9. The State Department of Taxation will testify that if Realtors are collecting the monies then they know 1099's will be provided to them to ensure the tracking of funds owed by Non-Residents.

There is no possible argument that the Non-Resident Owners have to support their case of not running the monies through a Realtor (Property Manager)!

Mahalo Pat,

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 21, 2012 2:58 PM
To: FINTestimony
Cc: ginny.aloha@gmail.com
Subject: Testimony for HB1707 on 2/23/2012 1:00:00 PM

Testimony for FIN 2/23/2012 1:00:00 PM HB1707

Conference room: 308
Testifier position: Support
Testifier will be present: No
Submitted by: Ginny Shinn
Organization: Individual
E-mail: ginny.aloha@gmail.com
Submitted on: 2/21/2012

Comments:

Aloha Finance Committee Members. I am writing to you in support of HB1707. I work in the property management/vacation rental industry and I am a Realtor. I support this bill for two reasons:

1. There are many people who live on the mainland who are 'managing' multiple vacation rentals from places like Texas, New York, etc. The money they make does not stay in Hawaii and they are taking business away from Hawaii tourism professionals who work and live in Hawaii. Also, their units are not well 'managed'. I have often seen that they designate a house cleaner as their 'manager' and this does not serve the guests well. In the last tsunami, many of the guests who had booked through these off shore companies were without guidance. However, my main concern is that they make money from Hawaii tourism without living here and I believe we should keep Hawaii jobs in Hawaii.
2. By requiring a Real Estate Broker or Salesperson to be the manager of a property, the guests have recourse if they have not been fairly treated. It also guarantees that visitors to our islands are working with trained professionals who have ethical standards they must abide by. Also, all monies collected from guests would then be safely held in Trust Accounts, established for the purpose of serving real estate clients, rather than in the individual pocket of a mainland person profiting from Hawaii tourism.

I realize there is a large lobby against this bill and that the Hawaii Vacation Rental Owner's Association (HVROA) has a hired lobbyist. Because they have the funds to mount a large defense, please do not overlook the sound reasoning for the existence of this bill. Keep Hawaii tourism jobs in Hawaii, please.

Respectfully Submitted,

Ginny Shinn (RS)
Kilauea Real Estate Company

FINTestimony

From: mailinglist@capitol.hawaii.gov
ent: Wednesday, February 22, 2012 8:46 AM
To: FINTestimony
Cc: lbroido@hawaii.rr.com
Subject: Testimony for HB1707 on 2/23/2012 1:00:00 PM

Testimony for FIN 2/23/2012 1:00:00 PM HB1707

Conference room: 308
Testifier position: Support
Testifier will be present: No
Submitted by: Laurence Broido
Organization: Individual
E-mail: lbroido@hawaii.rr.com
Submitted on: 2/22/2012

Comments:

As a homeowner whose house has been a vacation rental in the past, I strongly support this bill. My house was managed by a long-standing business and I was naive as to the law requiring a management company to have a real estate broker's license (HB467). My nightmares of dealing with this company, as a homeowner, are too vast to place here. I am still owed a great deal of money by the individual who owns the company and my house suffered during her tenure as my "manager." It is vitally important to Hawaii to display an air of professionalism in the tourist industry and this bill speaks to that end. I not only strongly encourage passage of this bill, but also strong enforcement of state law .67 which is currently not enforced. I know that taxes were collected on my home and while I am not sure, I strongly suspect a large amount of those taxes did not find their way into the state's coffers.
Mahalo for listening.

Larry Broido
Volcano, Hawaii

FINTestimony

From: mailinglist@capitol.hawaii.gov
ent: Wednesday, February 22, 2012 8:32 AM
fo: FINTestimony
Cc: wendy.mooney@gmail.com
Subject: Testimony for HB1707 on 2/23/2012 1:00:00 PM

Testimony for FIN 2/23/2012 1:00:00 PM HB1707

Conference room: 308
Testifier position: Support
Testifier will be present: No
Submitted by: Wendy Mooney
Organization: Individual
E-mail: wendy.mooney@gmail.com
Submitted on: 2/22/2012

Comments:

I am in support of this bill. I believe this bill will also help to provide safety to the guest from fraud. I firmly believe in working through a reputable company instead of an individual.

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 21, 2012 12:06 PM
To: FINTestimony
Cc: dahlagerb@hale-hoola.com
Subject: Testimony for HB1707 on 2/23/2012 1:00:00 PM

Testimony for FIN 2/23/2012 1:00:00 PM HB1707

Conference room: 308
Testifier position: Support
Testifier will be present: No
Submitted by: Robert Dahlager
Organization: Individual
E-mail: dahlagerb@hale-hoola.com
Submitted on: 2/21/2012

Comments:
All for Passage of this bill

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 21, 2012 12:06 PM
To: FINTestimony
Cc: lynette@crhmaui.com
Subject: Testimony for HB1707 on 2/23/2012 1:00:00 PM

Testimony for FIN 2/23/2012 1:00:00 PM HB1707

Conference room: 308
Testifier position: Support
Testifier will be present: No
Submitted by: Lynette Aipa
Organization: Individual
E-mail: lynette@crhmaui.com
Submitted on: 2/21/2012

Comments:

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 21, 2012 1:01 PM
To: FINTestimony
Cc: dori@crhmaui.com
Subject: Testimony for HB1707 on 2/23/2012 1:00:00 PM

Testimony for FIN 2/23/2012 1:00:00 PM HB1707

Conference room: 308
Testifier position: Support
Testifier will be present: No
Submitted by: Dori Satomba
Organization:
E-mail: dori@crhmaui.com
Submitted on: 2/21/2012

Comments:

FINTestimony

From: mailinglist@capitol.hawaii.gov
sent: Tuesday, February 21, 2012 12:05 PM
To: FINTestimony
Cc: tammy@crhmaui.com
Subject: Testimony for HB1707 on 2/23/2012 1:00:00 PM

Testimony for FIN 2/23/2012 1:00:00 PM HB1707

Conference room: 308
Testifier position: Support
Testifier will be present: No
Submitted by: Tammy Sylva
Organization: Individual
E-mail: tammy@crhmaui.com
Submitted on: 2/21/2012

Comments:

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 21, 2012 12:00 PM
To: FINTestimony
Cc: cindy@crhmaui.com
Subject: Testimony for HB1707 on 2/23/2012 1:00:00 PM

Testimony for FIN 2/23/2012 1:00:00 PM HB1707

Conference room: 308
Testifier position: Support
Testifier will be present: No
Submitted by: Cindy Manning
Organization: Individual
E-mail: cindy@crhmaui.com
Submitted on: 2/21/2012

Comments:

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 21, 2012 12:08 PM
To: FINTestimony
Cc: lila@crhmaui.com
Subject: Testimony for HB1707 on 2/23/2012 1:00:00 PM

Testimony for FIN 2/23/2012 1:00:00 PM HB1707

Conference room: 308
Testifier position: Support
Testifier will be present: No
Submitted by: Lila Kronoski
Organization: Condominium Rentals Hawaii
E-mail: lila@crhmaui.com
Submitted on: 2/21/2012

Comments:

INTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 21, 2012 12:11 PM
To: FINTestimony
Cc: vi@crhmaui.com
Subject: Testimony for HB1707 on 2/23/2012 1:00:00 PM

Testimony for FIN 2/23/2012 1:00:00 PM HB1707

Conference room: 308
Testifier position: Support
Testifier will be present: No
Submitted by: Vasiti Lolohea
Organization: Individual
E-mail: vi@crhmaui.com
Submitted on: 2/21/2012

Comments:

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 21, 2012 12:13 PM
To: FINTestimony
Cc: siua1234@hotmail.com
Subject: Testimony for HB1707 on 2/23/2012 1:00:00 PM

Testimony for FIN 2/23/2012 1:00:00 PM HB1707

Conference room: 308
Testifier position: Support
Testifier will be present: No
Submitted by: Sioisia Lolohea
Organization: Individual
E-mail: siua1234@hotmail.com
Submitted on: 2/21/2012

Comments:

FINTestimony

From: mailinglist@capitol.hawaii.gov
ent: Tuesday, February 21, 2012 12:14 PM
To: FINTestimony
Cc: p23mahoni@yahoo.com
Subject: Testimony for HB1707 on 2/23/2012 1:00:00 PM

Testimony for FIN 2/23/2012 1:00:00 PM HB1707

Conference room: 308
Testifier position: Support
Testifier will be present: No
Submitted by: Veatoki Mahoni
Organization: Individual
E-mail: p23mahoni@yahoo.com
Submitted on: 2/21/2012

Comments:

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 21, 2012 12:18 PM
To: FINTestimony
Cc: anissa@crhmaui.com
Subject: Testimony for HB1707 on 2/23/2012 1:00:00 PM

Testimony for FIN 2/23/2012 1:00:00 PM HB1707

Conference room: 308
Testifier position: Support
Testifier will be present: No
Submitted by: Anissa Bran
Organization: Individual
E-mail: anissa@crhmaui.com
Submitted on: 2/21/2012

Comments:

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 21, 2012 12:24 PM
To: FINTestimony
Cc: ala@crhmaui.com
Subject: Testimony for HB1707 on 2/23/2012 1:00:00 PM

Testimony for FIN 2/23/2012 1:00:00 PM HB1707

Conference room: 308
Testifier position: Support
Testifier will be present: No
Submitted by: Leinaala Maynard
Organization: Individual
E-mail: ala@crhmaui.com
Submitted on: 2/21/2012

Comments:

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 21, 2012 12:50 PM
To: FINTestimony
Cc: karen@crhmaui.com
Subject: Testimony for HB1707 on 2/23/2012 1:00:00 PM

Testimony for FIN 2/23/2012 1:00:00 PM HB1707

Conference room: 308
Testifier position: Support
Testifier will be present: No
Submitted by: Karen Wood
Organization: Individual
E-mail: karen@crhmaui.com
Submitted on: 2/21/2012

Comments:

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 21, 2012 11:51 AM
To: FINTestimony
Cc: daryllynn@crhmaui.com
Subject: Testimony for HB1707 on 2/23/2012 1:00:00 PM

Testimony for FIN 2/23/2012 1:00:00 PM HB1707

Conference room: 308
Testifier position: Support
Testifier will be present: No
Submitted by: Daryl Lynn Tavares
Organization: Individual
E-mail: daryllynn@crhmaui.com
Submitted on: 2/21/2012

Comments:

FINTestimony

From: mailinglist@capitol.hawaii.gov
sent: Tuesday, February 21, 2012 11:23 AM
to: FINTestimony
Cc: rvaldez76@hotmail.com
Subject: Testimony for HB1707 on 2/23/2012 1:00:00 PM

Testimony for FIN 2/23/2012 1:00:00 PM HB1707

Conference room: 308
Testifier position: Support
Testifier will be present: No
Submitted by: Rachel Valdez
Organization: Individual
E-mail: rvaldez76@hotmail.com
Submitted on: 2/21/2012

Comments:

FINTestimony

From: mailinglist@capitol.hawaii.gov
sent: Tuesday, February 21, 2012 2:25 PM
To: FINTestimony
Cc: lorine@crhmaui.com
Subject: Testimony for HB1707 on 2/23/2012 1:00:00 PM

Testimony for FIN 2/23/2012 1:00:00 PM HB1707

Conference room: 308
Testifier position: Support
Testifier will be present: No
Submitted by: Lorine Fernandez
Organization:
E-mail: lorine@crhmaui.com
Submitted on: 2/21/2012

Comments:

FINTestimony

From: mailinglist@capitol.hawaii.gov
ent: Wednesday, February 22, 2012 1:01 PM
fo: FINTestimony
Cc: mail@ExclusiveGetaways.com
Subject: Testimony for HB1707 on 2/23/2012 1:00:00 PM

Testimony for FIN 2/23/2012 1:00:00 PM HB1707

Conference room: 308
Testifier position: Support
Testifier will be present: Yes
Submitted by: Dan Monck
Organization: Individual
E-mail: mail@ExclusiveGetaways.com
Submitted on: 2/22/2012

Comments:

HB 1707

**We received over
200 similar
testimonies in
opposition to this
bill**

**Kenneth and Patricia Morgan
509 South Liberty Street
Port Angeles, WA 98362**

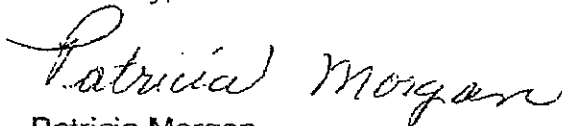
February 22, 2012

To whom it may concern:

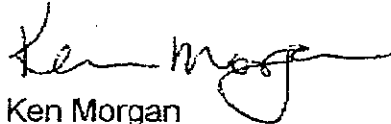
We own a condo on Maui and live on the mainland. We pay our TAT and GE taxes as required by law. HB 1707 will make it impossible for us to rent our condo at the current daily rate and meet expenses. If we have to raise our rates by 40-50% to pay a rental agency, no one will be able to afford the rent. Therefore, you will lose the money we are currently generating for the State of Hawaii. Please vote no on HB 1707.

Thank you for your careful consideration on this matter.

Sincerely,



Patricia Morgan



Ken Morgan