

Honolulu, Hawaii

FEB 08 2013

RE: S.B. No. 1202

Honorable Donna Mercado Kim
President of the Senate
Twenty-Seventh State Legislature
Regular Session of 2013
State of Hawaii

Madam:

Your Committee on Tourism and Hawaiian Affairs, to which was referred S.B. No. 1202 entitled:

"A BILL FOR AN ACT RELATING TO TRANSIENT ACCOMMODATIONS TAX,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Eliminate the sunset of the transient accommodations tax rate of 9.25 percent and raise the rate to 11.25 percent beginning July 1, 2013;
- (2) Decrease the allocations of the transient accommodations tax to the convention center enterprise special fund, tourism special fund, and the counties and makes these allocations permanent; and
- (3) Repeal provisions imposing a daily tax of \$10 on complimentary rooms.

Your Committee received testimony in support of this measure from the Department of Taxation and Department of Budget and Finance. Your Committee received testimony in opposition to this measure from the Hawaii Tourism Authority, County of Hawaii Office of the Mayor, County Council of Maui, Outrigger Enterprises Group, Hawaii Lodging and Tourism Association, Starwood Hotel and Resorts, Maui Chamber of Commerce, The Chamber of Commerce of Hawaii, and VIP Foodservice. Your Committee received comments on this measure from the Tax Foundation of Hawaii.



Your Committee finds that allowing the transient accommodations tax rate to fall to 7.25 percent will deprive the State of needed funds. Hawaii already has a hotel tax rate lower than that of many other high volume visitor destinations in the United States. Your Committee further finds that an 11.25 percent tax rate will provide needed stability in the State's budget moving forward and will potentially assist in establishing necessary state fiscal reserves. The Department of Budget and Finance views this measure as a vehicle to begin discussions about long term funding mechanisms that will increase state revenues.

Your Committee has also heard the concerns raised by those opposed to this measure. Many testifiers, including the Hawaii Tourism Authority, believe the proposed tax increase will diminish Hawaii's ability to compete in the global tourism market and will further injure Hawaii's economy. Some counties also expressed concerns that the measure does not allocate enough funds to the counties, which bear the brunt of the costs related to the tourism industry. After discussion, your Committee concludes that the long terms effects of this measure on the State's economy and budget are more appropriately addressed by the Committee on Ways and Means.

As affirmed by the record of votes of the members of your Committee on Tourism and Hawaiian Affairs that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1202 and recommends that it pass Second Reading and be referred to the Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Tourism and
Hawaiian Affairs,

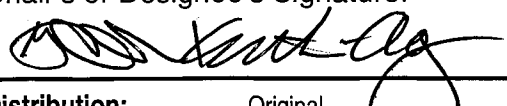


BRICKWOOD GALUTERIA, Chair



The Senate
Twenty-Seventh Legislature
State of Hawai'i

Record of Votes
Committee on Tourism and Hawaiian Affairs
THA

Bill / Resolution No.:*	Committee Referral:	Date:		
SB 1202	THA, WAM	2/4/13		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<input checked="" type="checkbox"/> Pass, unamended 2312 <input type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
GALUTERIA, Brickwood (C)	✓			
KEITH-AGARAN, Gilbert S.C. (VC)		✓		
HEE, Clayton				✓
KAHELE, Gilbert	✓			
KIDANI, Michelle N.		✓	AGWA	
SHIMABUKURO, Maile S.L.	✓			
SOLOMON, Malama	✓			
SLOM, Sam			✓	AGWA
TOTAL	4	2	1	1
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
				
Distribution:				
Original File with Committee Report	Yellow Clerk's Office	Pink Drafting Agency	Goldenrod Committee File Copy	

*Only one measure per Record of Votes