



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

COMMITTEE ON TOURISM
Representative Tom Brower, Chair

2/11/12
Rm. 312, 9:30 AM

HB 1339
Relating to Transient Accommodations Tax

Chair Brower and Members of this Committee, my name is Max Sword, here on behalf of Outrigger Hotels Hawaii in support of this bill.

The implementation of a \$10 tax on complimentary rooms has been a challenge over the last couple of years deciding how to apply the tax, or to whom the tax applies. It got complicated because the industry uses complimentary rooms for a variety of reasons.

The tax has had the most negative impact on the non-profits, such as the American Cancer Society, McDonald House and March of Dimes, to name a few to which we donate a large number of rooms. For the most part, the non-profits have absorbed the \$10 fee themselves, instead of having the receiver of the certificate pay for it.

With non-profits struggling to raise money, this can be a burden for them.

We urge your deferment of these bill and thank you for allowing me to testify.

Bernard P. Carvalho, Jr.
Mayor



Steven A. Hunt
Director of Finance

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Testimony of
STEVEN A. HUNT
Director of Finance
County of Kaua'i

Before the House Committee on
COMMITTEE ON TOURISM

Monday, February 11, 2013
9:30 a.m.

State Capitol, Senate Conference Room 312

In consideration of
HOUSE BILLS: HB 963, HB 970, HB 971, HB 1339, HB 1340, HB 1359
RELATING TO TRANSIENT ACCOMMODATIONS TAX

THE HONORABLE REP. TOM BROWER, CHAIR
AND MEMBERS OF THE COMMITTEE ON TOURISM

Thank you for this opportunity to express our strong opposition to these six House Bills that propose to alter the counties' proportional share of the Transient Accommodations Tax (TAT) by either repealing the sunset date of the temporary cap or by exchanging it for enabling legislation for the counties to impose a one-percent (1%) surcharge to the State's existing General Excise Tax (GET) rate.

From the time of the establishment of the TAT in 1986, the Legislature planned to make the Counties beneficiaries of the hotel room tax because lawmakers recognized the importance of the county facilities and services to support and enhance the visitor experience. It was always understood that the costs associated with mass tourism are mostly carried by the counties. The County of Kaua'i (Kaua'i) current receives approximately \$13.4 million in revenue from transient accommodations taxes, which is Kaua'i's second largest revenue source, only surpassed by revenue from real property taxes. Kaua'i needs the TAT revenues to adequately deliver services that our residents and visitors require and expect.

Despite Hawai'i's continued growth in the tourism industry, as evidenced by both increased occupancy rates and higher average daily room rates, the counties have not seen any proportional growth in the corresponding TAT revenues due to the

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concessions made in 2011 which placed a **temporary** cap on the counties' share of these taxes. Nevertheless, this increased visitor count has placed a higher demand (and cost) for county services, leaving the counties scrambling to find resources to meet the increased need for police, fire, and lifeguard protection, for maintenance of our parks and beaches, and for upgrades to the counties' water, sewer, and roadway systems. Kaua'i has already deferred several capital improvement projects as well as some scheduled maintenance in recognition that the revenues from TAT were simply insufficient to cover the expense of these projects. With the TAT cap due to sunset in 2015, Kaua'i was anticipating addressing many of these deferred projects once we returned to a more equitable allocation of the TAT revenues. Allowing the current TAT revenue to remain at a fixed amount while the corresponding costs of providing services and/or making necessary repairs continue to escalate only exasperates this imbalance. Additionally, a capped TAT amount does not adequately account for anticipated inflation which reduces the purposing power of those taxes over time.

Another bill being considered attempts to replace Kaua'i's TAT revenue with enabling legislation to allow the counties to collect a one-percent additional GET surcharge which may, or may not, have a revenue neutral net result. Under this proposal, the tax burden would clearly be shifted away from our visitors and towards our local residents. Paying a higher GET on groceries, clothing, and other goods and services will likely hit those that can least afford it. An increase to the GET seems regressive and may prove difficult to enact a corresponding ordinance at the County level even if the State enables the counties to do so. Without having access to Kaua'i's current GET revenues, it is difficult to fully assess the financial outcome of swapping TAT for GET. Moreover, there is also a sunset date of December 31, 2022 for the counties to assess the higher GET rate. Swapping a permanent source of tax revenues for a temporary source places an even greater burden on the counties to find additional revenue sources in the not too distant future.

We respectfully ask your committee to allow the counties to continue participating in the TAT revenue sharing as this revenue is one of Kaua'i's only off-island sources of taxes. We also ask that you allow the temporary cap on the TAT to sunset in 2015 as originally agreed. Thank you for the opportunity to testify on these House Bills.