

**OFFICE OF THE MAYOR  
CITY AND COUNTY OF HONOLULU**

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KIRK CALDWELL  
MAYOR

EMBER LEE SHINN  
MANAGING DIRECTOR  
GEORGETTE T. DEEMER  
DEPUTY MANAGING DIRECTOR

TESTIMONY OF KIRK CALDWELL, MAYOR  
CITY AND COUNTY OF HONOLULU  
BEFORE THE HOUSE COMMITTEE ON FINANCE  
Tuesday, February 25, 2014, 11:15 a.m., Conference Room 308

House Bill 1671, H.D. 1, "RELATING TO TRANSIENT ACCOMMODATIONS TAX"  
Position: In Strong Support

TO: The Honorable Sylvia Luke, Chair  
and Members of the Committee on Finance

The City and County of Honolulu (City) **strongly supports** House Bill 1671, H.D. 1, Relating to Transient Accommodations Tax (TAT), which amends Section 237D-6.5 HRS by removing the \$93 million cap, currently in place on the counties' share of the TAT revenue pursuant to Act 103, Session Laws of Hawaii (SLH) 2011, and then made permanent by Act 161, SLH 2013.

The TAT is intended to compensate the counties for the services that support the tourism industry. The City incurs significant costs for public safety, transportation and other tourism-related services across the island that tourists utilize. The City performed a recent analysis that estimates that approximately \$140 million to \$180 million, or 7% to 9% of the City's operating budget, is spent on services that are key to keeping Honolulu globally competitive as a safe and desirable destination.

Currently, the City's portion of the TAT is capped at \$41 million, which is far less than the City's annual tourism-related expenditures. H.B. 1671, H.D. 1, would reimburse the City for a larger share of its costs related to tourism, and reduce the amount that residents of the City sustain.

Thank you for the opportunity to testify on H.B. 1671, H.D. 1, and I ask that the committee pass this measure.

ALAN M. ARAKAWA  
MAYOR



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Wailuku, Hawai'i 96793-2155  
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## OFFICE OF THE MAYOR

Ke'ena O Ka Meia  
COUNTY OF MAUI – Kalana O Maui

### TESTIMONY OF ALAN ARAKAWA, MAYOR COUNTY OF MAUI

#### BEFORE THE HOUSE COMMITTEE ON FINANCE

Tuesday, February 25, 2014, 11:15 a.m., Conference Rm. 308

#### **HOUSE BILL 1671** RELATING TO TRANSIENT ACCOMMODATIONS TAX

The Honorable Sylvia Luke, Chair  
Honorable Scott Nishimoto, Vice Chair  
Honorable Aaron Ling Johanson, Vice Chair  
And Members of the House Committee on Finance

Thank you for this opportunity to testimony in **strong support** of **HB 1671**.

As Mayor of Maui County, I am honored to be united with the mayors of Hawaii, Honolulu, and Kauai counties, to strongly support this measure that will remove the current cap on transient accommodations tax (TAT) revenues to be distributed to the counties and establishes the distribution of these revenues as a percentage of TAT collected.

The TAT was established in 1986 under Act 304, Session Laws of Hawaii and imposed a five percent (5%) tax on the gross revenues derived from the furnishing of transient accommodations.

In 1990, the Legislature recognized that “many of the burdens imposed by tourism fall on the counties” and noted that increased pressures of the visitor industry meant greater demands on county services, such as “providing, maintaining, and upgrading police and fire protection, parks, beaches, water, roads, sewage systems, and other tourism related infrastructure.” (House Journal 1990; Conference Committee Report No. 207.)

The current cap on TAT revenues to the counties has left us struggling to cover the ever increasing costs of our police who serve and protect our visitors and residents, our lifeguards who are pulling distressed swimmers out of the ocean, our fire fighters who are rescuing hikers from mountain trails, as well as sewer, water and the many other services the counties must provide our constantly increasing visitors. If the cap is not removed these services will have to be reduced or our facilities and infrastructure will deteriorate.

Moreover, the cap was always understood to be a temporary measure to assist the state with a temporary budget shortfall. The Hawaii Tourism Authority recently announced that 2013 was another record year for visitors. According to CEO Mike McCartney, more

Representative Sylvia Luke  
RE: HB 1671 Relating to TAT  
February 25, 2014  
Page 2 of 2

than 8.2 million visitors traveled to Hawaii last year, which is 2.6 percent more than the 8.1 million visitors in 2012, while their expenditures of \$14.5 billion contributed \$1.5 billion in state tax revenues – which is \$30 million more than the record set in 2012. With the state economy recovering and TAT collections increasing, there is no further justification for the cap.

The costs of providing county services to visitors are always increasing. Prior to the cap being imposed on the counties' portion on TAT revenues, as visitor arrivals increased there was an increase in county collections from the TAT to help offset some of the escalating costs from the influx of record numbers of new visitors. If the cap is not removed, the counties and our residents will continue to carry the heavier burden by increased property taxes to absorb the additional cost of the ever-growing numbers of visitors to the islands.

Though we are individual counties, to the rest of the world we are recognized as one venue - the State of Hawaii. Only together can we represent our State in the best light as we showcase our island State to the rest of the world. As a State we are vacation destinations for visitors from around the globe, and to reduce the quality of our services and facilities would certainly tarnish this image. We need to be wary of the fact that our State is a part of an international arena where there is a global-economy in tourism that gives travelers ample choices and produces stiff competition for tourists. If we ignore this and fail to make the infrastructure investments necessary for our state and counties to maintain their competitive edge over other destinations, tourists will go elsewhere.

For these reasons, I join the mayors and councils of our sister-counties in supporting HB 1671 and respectfully ask that the cap on the counties' share of the TAT be lifted.

**William P. Kenoi**  
*Mayor*



**Walter K.M. Lau**  
*Managing Director*

**Randall M. Kurohara**  
*Deputy Managing Director*

# County of Hawai'i

## Office of the Mayor

25 Aupuni Street, Suite 2603 • Hilo, Hawai'i 96720 • (808) 961-8211 • Fax (808) 961-6553  
KONA: 74-5044 Ane Keohokalole Hwy., Bldg. C • Kailua-Kona, Hawai'i 96740  
(808) 323-4444 • Fax (808) 323-4440

February 25, 2014

The Honorable Sylvia Luke, Chair  
And Members of the House Committee  
on Finance  
Hawaii State Capitol, Room 308  
Honolulu, Hawai'i 96813

RE: House Bill 1671, HD 1 RELATING TO TRANSIENT ACCOMMODATIONS TAX

Aloha, Chair Luke and Committee Members:

Mahalo you for this opportunity to express our strong support of HB 1671, HD 1 that removes the current cap on transient accommodations tax revenues to be distributed to the counties and establishes the distribution of these revenues as a percentage of TAT collected.

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 county facilities and services to support and enhance the visitor experience. It was always understood that the costs of mass tourism are mostly carried by the counties.

When a visitor calls for law enforcement help, a county police officer responds. When the visitor gets into trouble in the ocean, county lifeguards or firefighters respond. When the visitor uses sewer and water service, those are county services. The visitors drive on county roads, and use county parks. As the visitor count grows, the visitors' demands on county resources also grow.

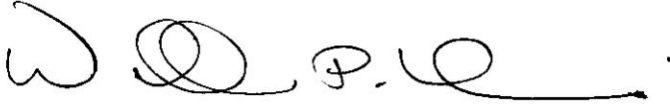
We now have more than one million tourists a year visiting the County of Hawai'i, and the cost of delivering service rises each year. It is critically important that TAT revenues to the counties increase as the visitor count increases. The counties need these resources to deliver the services that our residents and visitors require and expect.

The Honorable Sylvia Luke  
Page 2  
February 25, 2014

The cap in TAT revenues to the counties that was imposed in 2011 was always understood to be a temporary measure. We respectfully ask that your committee remove the cap on the counties' share of TAT revenues.

Mahalo for your consideration.

Aloha,

A handwritten signature in black ink, appearing to read 'W. P. Kenoi', with a long horizontal flourish extending to the right.

William P. Kenoi, MAYOR

COUNTY OF HAWAI'I



STATE OF HAWAI'I

RESOLUTION NO. 284 14

**A RESOLUTION URGING THE HAWAI'I STATE LEGISLATURE TO PASS HOUSE BILL 1671, WHICH WILL INCREASE TRANSIENT ACCOMMODATIONS TAX REVENUE TO THE COUNTIES.**

**WHEREAS**, House Bill 1671 proposes to remove the current cap on transient accommodations tax revenues to be distributed to the counties and instead reserve to the counties 44.8 percent of collected transient accommodations tax revenue; and

**WHEREAS**, the State will benefit from a greater partnership with the counties, which provide much of the services that support tourism; and

**WHEREAS**, the counties maintain roads and parks and provide the law enforcement officers and first responders who serve residents and visitors; and

**WHEREAS**, the current allocation to the counties is inadequate for the increased use of resources from visitors on county parks, infrastructure, and first responders; and

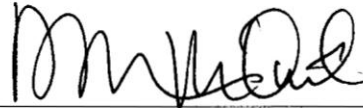
**WHEREAS**, with the improving economy, the State has an interest in protecting the fiscal health of its political subdivisions; now, therefore,

**BE IT RESOLVED BY THE COUNCIL OF THE COUNTY OF HAWAI'I** that the House and the Senate are urged to pass House Bill 1671, which will increase the transient accommodations tax revenue allocated to the counties.

**BE IT FINALLY RESOLVED** that the County Clerk shall transmit a copy of this resolution to the Honorable Governor Neil Abercrombie; the Honorable Senate President Donna Mercado Kim; the Honorable Speaker Joseph Souki; the Honorable Senator David Ige; the Honorable Senator Michelle N. Kidani; the Honorable Senator Gilbert Kahele; the Honorable Senator Gilbert Keith-Agaran; the Honorable Representative Sylvia Luke; the Honorable Representative Aaron Ling Johanson; the Honorable Representative Scott Y. Nishimoto; the Honorable Representative Tom Brower; and the Honorable Representative Romy M. Cachola.

Dated at     Hilo    , Hawai'i, this     5th     day of     February    , 2014.

INTRODUCED BY:



COUNCIL MEMBER, COUNTY OF HAWAI'I


COUNTY COUNCIL  
County of Hawai'i  
Hilo, Hawai'i

I hereby certify that the foregoing RESOLUTION was by the vote indicated to the right hereof adopted by the COUNCIL of the County of Hawai'i on     February 5, 2014    .

ATTEST:



COUNTY CLERK



CHAIRPERSON & PRESIDING OFFICER

ROLL CALL VOTE

	AYES	NOES	ABS	EX
EOFF	X			
FORD	X			
ILAGAN	X			
KANUHA	X			
KERN	X			
ONISHI	X			
POINDEXTER	X			
WILLE	X			
YOSHIMOTO	X			
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Reference:     C-634/Waived GREDC    

RESOLUTION NO.     284 14

**J Yoshimoto**  
Chair & Presiding Officer  
Council District 2



Telephone: (808)961-8272  
Facsimile: (808) 961-8912  
Email: jyoshimoto@co.hawaii.hi.us

## **HAWAII COUNTY COUNCIL**

*Office of the County Clerk  
County of Hawai'i  
25 Aupuni Street  
Hilo, Hawaii 96720*

**TESTIMONY OF J YOSHIMOTO, CHAIR  
HAWAII COUNTY COUNCIL  
REGARDING  
HB 1671 HD1, RELATING TO THE TRANSIENT ACCOMODATION TAX ("TAT")**

House Finance Committee  
Tuesday, February 25, 2014 at 11:15 a.m.  
Conference Room 308

Chair Luke, Vice-Chair Nishimoto, and Committee Members:

Thank you for the opportunity to provide testimony IN SUPPORT of House Bill 1671 HD1.

I wholeheartedly support HB 1671 HD1. The purpose of HB 1671 HD1 is to remove the cap that was imposed on the counties' shares of the TAT during the downturn in the economy.. The cap was meant to be a temporary "fix" to help the State during the budget shortfall. The economy has improved, TAT revenues have rebounded, the visitor count is up and the vital county public services are in high demand.

The State and the counties are united in making a positive effort to maintain the aura and allure of Hawai'i as a destination vacation paradise. Please remember that it is County personnel who provide the services to protect and preserve the health and safety of our visitors and those who serve our visitors. It is the Counties who maintain the majority of the infrastructure and attractions for our visitors. When times were hard, we all cut back. Times are better now, so it is appropriate to remove the cap and allow counties to receive a proportionate share of the increase in revenues.

Once again, thank you for the opportunity to submit testimony IN SUPPORT on HB 1671 HD1.



Council Chair  
Gladys C. Baisa

Vice-Chair  
Robert Carroll

Presiding Officer Pro Tempore  
Michael P. Victorino

Council Members  
Elle Cochran  
Donald G. Couch, Jr.  
Stacy Crivello  
Don S. Guzman  
G. Riki Hokama  
Mike White

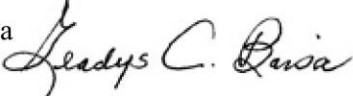


Director of Council Services  
David M. Raatz, Jr., Esq.

**COUNTY COUNCIL**  
COUNTY OF MAUI  
200 S. HIGH STREET  
WAILUKU, MAUI, HAWAII 96793  
www.maui-county.gov/council

February 24, 2014

TO: The Honorable Sylvia Luke, Chair  
House Committee on Finance

FROM: Gladys C. Baisa  
Council Chair 

SUBJECT: **HEARING OF FEBRUARY 25, 2014; TESTIMONY IN SUPPORT OF HB 1671  
HD1, RELATING TO TRANSIENT ACCOMMODATIONS TAX**

Thank you for the opportunity to testify **in support** of this important measure. The purpose of this measure is to remove the current cap on transient accommodations tax (TAT) revenues to be distributed to the counties and establish the distribution of these revenues as a percentage of TAT collected.

The Maui County Council has not had the opportunity to take a formal position on this measure. Therefore, I am providing this testimony in my capacity as an individual member of the Maui County Council.

I support this measure for the following reasons:

1. This bill removes the cap on TAT revenues distributed to the counties. The cap was understood to be a temporary measure to assist the state with a budget shortfall, and removing it will resume the distribution of a proportional share of county-earned TAT revenues. With the state economy recovering and TAT collections increasing, there is no further justification for the cap.
2. Increases in visitor counts mean higher demands and costs for infrastructure and services including public safety. Approximately \$72 million of hotel tax revenues is projected to return to the counties if the cap is lifted. The counties will use the TAT revenues to provide services and infrastructure investments necessary for our state to maintain its competitive edge over other travel destinations and to continue to attract visitors. This will benefit Hawaii.

For the foregoing reasons, I **support** this measure.

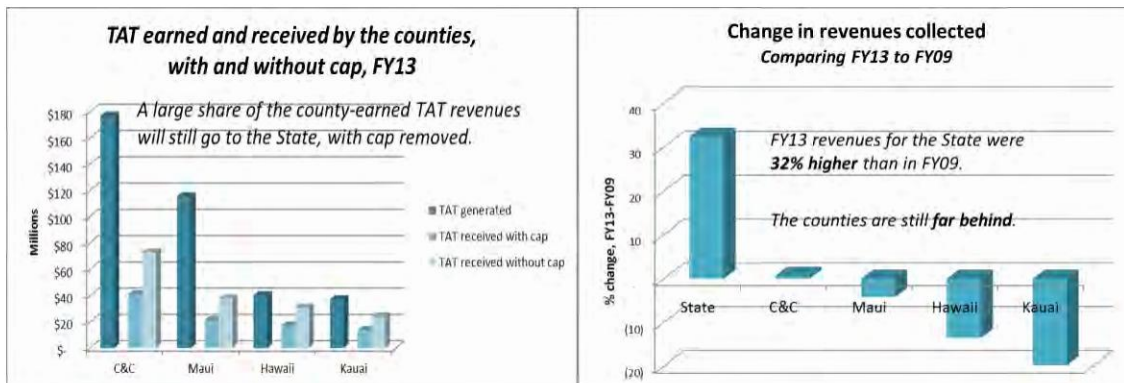
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Attachments

## H.B. 1671, Transient Accommodations Tax

Since 2011, when the **temporary cap** was established, the State collected \$273 million. If the cap had not been put in place, the State would still have collected \$26 million. The State collected **ten times more** in TAT revenues with the cap.

Removal of the cap would mean an increase in the current allocation of TAT revenues distributed to the counties. The counties will use TAT revenues to provide services and infrastructure improvements crucial to both **maintaining and increasing TAT revenues**, which benefit both the State and counties. We must have the means to keep up with other destinations that have become increasingly competitive.



Removing the TAT cap **relieves hard-working residents** who are otherwise burdened with increased real property taxes to account for the lost TAT revenues.

Since the economic recovery, **State revenues have increased 32% from \$4.9 billion in 2009 to \$6.5 billion in 2013**. As State revenues continue to grow and a surplus is recognized, the State must assist counties and provide relief by removing the TAT cap.



COUNTY OFFICIALS SEEK RETURN OF PROJECTED **\$72 MILLION** HOTEL TAX REVENUE TO COUNTIES

Revenue from the state’s hotel room tax, known as the **transient accommodations tax or TAT**, is partially remitted to the counties. Citing the state government budget shortfalls, the legislature imposed an artificial cap on the counties’ annual remittance three years ago, resulting in millions of dollars in lost revenue to each county.

“As promised, county officials will have a stronger and united lobbying effort this year to ensure that our constituents and visitors get what they deserve,” said **Maui County Council Chair Baisa**, noting the Council chairs from all 4 counties, Hawaii Council of Mayors and Hawaii State Association of Counties also support repealing the cap. “We encourage the public to join us in supporting this measure by submitting testimony.”

County residents and county governments earn TAT revenue by supporting the visitor industry in countless ways, including by funding tourism promotion, providing police, fire and lifeguard services and maintaining roadways, beach parks and other public infrastructure. They say the revenue should be proportionally returned to the counties, under an established formula.

	<b>CAP ON</b>	<b>CAP LIFTED</b>
<b>Kauai County</b>	<b>\$13.4M</b>	<b>\$23.9M</b>
<b>Hawaii County</b>	<b>\$17.2M</b>	<b>\$30.7M</b>
<b>Maui County</b>	<b>\$21.2M</b>	<b>\$37.6M</b>
<b>City &amp; County of Honolulu</b>	<b>\$41M</b>	<b>\$72.8M</b>

Maui County's TAT revenue distribution is projected to go up **by \$16.4 million** if HB1671 is enacted.

As of Feb. 5, the bill passed on Second Reading as amended in House Draft 1 and was referred to the House Committee on Finance. The House Committee on Tourism met on Feb. 3 and recommended passage of the bill.

**Karen Eoff**  
Council Vice Chair  
Council District 8 – North Kona



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Fax: (808) 329-4786  
Email: keoff@co.hawaii.hi.us

## HAWAII COUNTY COUNCIL

County of Hawai'i  
West Hawai'i Civic Center, Bldg. A  
74-5044 Ane Keohokalole Hwy.  
Kailua-Kona, Hawai'i 96740

February 24, 2014

Representative Sylvia Luke, Chair  
Representative Scott Y. Nishimoto, Vice Chair  
Representative Aaron Ling Johanson, Vice Chair  
And Members of the House Committee on Finance  
Hawaii State Capitol, Room 308  
Honolulu, Hawaii 96813

Via Email: FINtestimony@capitol.hawaii.gov  
repluke@capitol.hawaii.gov  
repnishimoto@capitol.hawaii.gov  
repjohanson@capitol.hawaii.gov

RE: Hearing – Committee on Finance: February 25, 2014; Conference Room 308  
House Bill 1671, RELATING TO TRANSIENT ACCOMMODATIONS TAX

Dear Chair Luke and Vice Chairs Nishimoto and Johanson:

We strongly support HB 1671, which removes the current cap on transient accommodations tax revenues to be distributed to the counties and establishes the distribution of these revenues as a percentage of Transient Accommodations Tax "TAT", collected.

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 county facilities and services to support and enhance the visitor experience. It is understood that the costs of mass tourism are mostly carried by the counties.

Mayors of Hawai'i, Honolulu, Kaua'i and Maui also strongly support the effort to remove the temporary cap on the counties' share of TAT.

Visitors need County police officers, County lifeguards, County firefighters, County water and sewer services, County roads and County parks. When visitor counts grow, demands on County resources also grow.

We now have more than one million tourists a year visiting the County of Hawai'i, and the cost of delivering service rises each year. It is critically important that TAT revenues to the counties increase as the visitor count increases.

The cap in TAT revenues to the counties that was imposed in 2011 was always understood to be a temporary measure. We respectfully ask that your committee remove the cap on the counties' share of TAT revenues. The counties need these resources to deliver the services that our residents and visitors require and expect.

Sincerely,

Karen Eoff, Council Vice-Chair,  
Chair of Human Services and Social Services Committee,  
& Council Member District 8

**COUNTY COUNCIL**

Jay Furfaro, Chair  
Mason K. Chock, Sr., Vice Chair  
Tim Bynum  
Gary L. Hooser  
Ross Kagawa  
Mel Rapozo  
JoAnn A. Yukimura



**OFFICE OF THE COUNTY CLERK**

Ricky Watanabe, County Clerk  
Jade K. Fountain-Tanigawa, Deputy County Clerk

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**Council Services Division**  
4396 Rice Street, Suite 209  
Līhu'e, Kaua'i, Hawai'i 96766

February 24, 2014

**TESTIMONY OF MASON K. CHOCK, SR.**  
**COUNCIL VICE CHAIR, KAUA'I COUNTY COUNCIL**  
**ON**

**HB 1671, HD1, RELATING TO TRANSIENT ACCOMMODATIONS TAX**  
Committee on Finance  
Tuesday, February 25, 2014  
11:15 a.m.  
Conference Room 308

Dear Chair Luke and Committee Members:

Thank you for this opportunity to submit testimony in support of HB 1671, HD1, relating to the Transient Accommodations Tax. My testimony is submitted in my individual capacity as Council Vice Chair of the Kaua'i County Council.

HB 1671, HD1, in its current form will remove the cap on the Counties share of the Transient Accommodations Tax (TAT) revenues, which will be based on a percentage of TAT collected. Prior to 2011, the Counties were receiving 44.8% of the revenues collected for TAT. The revenue was then capped at \$93 million, pursuant to Act 103, Session Laws of Hawai'i (SLH) 2011, and then made permanent by Act 161, SLH 2013. Capping the Counties share of the TAT has resulted in a tremendous amount of lost revenue for the counties, which is evident, as the amount of TAT revenue has increased each year.

It is estimated that the County of Kaua'i is expecting an approximate \$8.8 million shortfall in Fiscal Year 2014-2015 alone. A major contributor to this shortfall is due to the Collective Bargaining increases approved this past year. Due to the shortfall, the County is faced with seeking additional revenue sources just to keep afloat this upcoming Fiscal Year.

Last year, Kaua'i County Councilmembers estimated that the County of Kaua'i spent approximately \$44 million on visitor related expenses for Fiscal Year 2011-2012 alone. These expenses included services for public safety, road maintenance, the up keep of County park facilities, and many more. As visitors comprise approximately 21% of the population on Kaua'i each day, it is important to support demand in order to maintain our loyal visitor base.

Chair Luke and Committee Members

RE: HB 1671, HD1, Relating to Transient Accommodations Tax

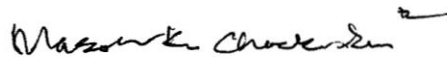
February 24, 2014

Page 2

Currently, the County of Kaua'i receives \$13,485,000 of TAT revenues from the State. If the cap for the Counties is removed, and if the TAT rate remains at 9.25%, the County of Kaua'i will receive much needed revenue to continue providing government services for our visitors and citizens alike.

For the reasons stated above, I respectfully request that the Committee approve this measure. Again, thank you for this opportunity to submit testimony.

Sincerely,



MASON K. CHOCK, SR.

Council Vice Chair, Kaua'i County Council

AB:mn

Council Chair  
Gladys C. Baisa

Vice-Chair  
Robert Carroll

Council Members  
Elle Cochran  
Donald G. Couch, Jr.  
Stacy Crivello  
Don S. Guzman  
G. Riki Hokama  
Michael P. Victorino  
Mike White



Director of Council Services  
David M. Raatz, Jr., Esq.

**COUNTY COUNCIL**  
COUNTY OF MAUI  
200 S. HIGH STREET  
WAILUKU, MAUI, HAWAII 96793  
[www.mauicounty.gov/council](http://www.mauicounty.gov/council)

February 24, 2014

TO: Honorable Sylvia Luke, Chair  
House Committee on Finance

FROM: Robert Carroll  
Council Vice Chair

A handwritten signature in black ink that reads "Robert Carroll". The signature is written in a cursive style.

DATE: Tuesday, February 25, 2014

SUBJECT: **SUPPORT OF HB 1671 H.D. 1, RELATING TO TRANSIENT  
ACCOMMODATIONS TAX**

I support HB 1671 HD1 for the reasons cited in testimony submitted by the Maui County Council Chair,  
and urge you to support this measure.



**CITY COUNCIL**  
CITY AND COUNTY OF HONOLULU  
530 SOUTH KING STREET, ROOM 202  
HONOLULU, HAWAII 96813-3065  
TELEPHONE: (808) 768-5010 • FAX: (808) 768-5011

**STANLEY CHANG**

*Councilmember – District IV*

Phone: (808) 768-5004

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[ccldistrict4@honolulu.gov](mailto:ccldistrict4@honolulu.gov)

[www.honolulu.gov/council/d4](http://www.honolulu.gov/council/d4)

February 24, 2014  
TESTIMONY OF STANLEY CHANG  
CONCILMEMBER FOR THE CITY AND COUNTY OF HONOLULU

On

H.B. No. 1671, HD1, RELATING TO TRANSIENT ACCOMMODATIONS TAX

Committee on Finance

Tuesday, February 25, 2014

11:15 a.m.

Conference Room 308

Dear Chair Luke and Committee Members:

Thank you for allowing me the opportunity to submit testimony in support of H.B. 1671, HD1, Relating to Transient Accommodations Tax in my capacity as Councilmember of the City and County of Honolulu.

H.B. 1671, HD1 removes the current cap on transient accommodations tax revenues to be distributed to the counties and establishes the distribution of these revenues as a percentage of TAT collected, effective July 1, 2050.

The TAT funds that the City receives are critical to City functions. The City provides police, fire, ocean safety, and bus services on Oahu, all of which are utilized by visitors. The City also maintains attractions such as parks, municipal golf courses, the Honolulu Zoo, and the Hanauma Bay Preservation Park. Therefore, capping the level of TAT distributed to the counties limits the Honolulu's ability to provide services to both residents and visitors alike. The City spends \$74 million on visitor industry services and generates \$257 million, nearly 80% of the total TAT collected. The current cap limits the City to receiving no more than \$41 million, significantly less than it spends and generates.

For these reasons, I respectfully ask for your favorable passage of H.B. 1671, HD1, Relating to Transient Accommodations Tax, and thank the Committee for allowing me to provide testimony.

Sincerely,

A handwritten signature in black ink, appearing to read "Stanley Chang", is written over a horizontal line.

Stanley Chang





**STANLEY CHANG**

*Councilmember – District IV*

Phone: (808) 768-5004

Fax: (808) 768-5000

[ccldistrict4@honolulu.gov](mailto:ccldistrict4@honolulu.gov)

[www.honolulu.gov/council/d4](http://www.honolulu.gov/council/d4)

**CITY COUNCIL**

CITY AND COUNTY OF HONOLULU

530 SOUTH KING STREET, ROOM 202

HONOLULU, HAWAII 96813-3065

TELEPHONE: (808) 768-5010 • FAX: (808) 768-5011

Councilmember, District IV

**COUNTY COUNCIL**

Jay Furfaro, Chair  
Mason K. Chock, Sr., Vice Chair  
Tim Bynum  
Gary L. Hooser  
Ross Kagawa  
Mel Rapozo  
JoAnn A. Yukimura



**OFFICE OF THE COUNTY CLERK**

Ricky Watanabe, County Clerk  
Jade K. Fountain-Tanigawa, Deputy County Clerk

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**Council Services Division**  
4396 Rice Street, Suite 209  
Līhu'e, Kaua'i, Hawai'i 96766

February 24, 2014

**TESTIMONY OF MEL RAPOZO**  
**COUNCILMEMBER, KAUAI COUNTY COUNCIL**  
**ON**

**HB 1671, HD1, RELATING TO TRANSIENT ACCOMMODATIONS TAX**  
Committee on Finance  
Tuesday, February 25, 2014  
11:15 a.m.  
Conference Room 308

Dear Chair Luke and Committee Members:

Thank you for this opportunity to submit testimony in support of HB 1671, HD1, relating to the Transient Accommodations Tax. My testimony is submitted in my individual capacity as a Councilmember of the Kaua'i County Council.

HB 1671, HD1, in its current form will remove the cap that was placed on the Counties share of Transient Accommodations Tax (TAT) revenues, which is based on the percentage of TAT collected.

Prior to 2011, the Counties received 44.8% of the revenues collected for TAT. This amount was then capped at \$93 million, pursuant to Act 103, Session Laws of Hawai'i (SLH) 2011, and then made permanent by Act 161, SLH 2013. This has resulted in millions of dollars of lost revenue to the Counties, and is evident in the tremendous increase in TAT collections each year.

It is estimated that the County of Kaua'i will experience an approximate \$8.8 million shortfall for Fiscal Year 2014-2015 alone. A major contributor to this shortfall is due to the Collective Bargaining increases approved this past year. Because of this, shortfall, the County is faced with seeking additional revenue sources just to keep afloat during the upcoming Fiscal Year.

Last year, an analysis on the Visitor Related Expenses was conducted by Kaua'i County Councilmembers, and concluded that for Fiscal Year 2011-2012, the County of Kaua'i expended approximately \$44 million on visitor related expenses alone. Visitor expenses include services for public safety (i.e. Fire and Police), parks (i.e. maintenance of County parks, the Wailua Golf Course, etc.), Public Works (i.e. road maintenance, solid waste, etc.) and others. As visitors comprise approximately 21% of the population on Kaua'i each day, it is important to support demand and meet their expectations in order to maintain our loyal visitor base.

Chair Luke and Committee Members

RE: HB 1671, HD1, Relating to Transient Accommodations Tax

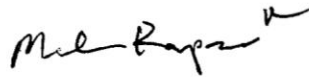
February 24, 2014

Page 2

Currently, the County of Kaua'i receives \$13,485,000 of TAT revenues from the State. If the cap for the Counties is removed, and if the TAT rate remains at 9.25%, the County of Kaua'i will receive much needed revenue to continue providing government services for our visitors and citizens alike.

For the reasons stated above, I respectfully request that the Committee approve this measure. Again, thank you for this opportunity to submit testimony.

Sincerely,

A handwritten signature in black ink that reads "Mel Rapozo" with a stylized flourish at the end.

MEL RAPOZO

Councilmember, Kaua'i County Council

AB:lc

**COUNTY COUNCIL**

Jay Furfaro, Chair  
Mason K. Chock, Sr., Vice Chair  
Tim Bynum  
Gary L. Hooser  
Ross Kagawa  
Mel Rapozo  
JoAnn A. Yukimura



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**Council Services Division**  
4396 Rice Street, Suite 209  
Līhu'e, Kaua'i, Hawai'i 96766

February 24, 2014

**TESTIMONY OF GARY L. HOOSER  
COUNCILMEMBER, KAUA'I COUNTY COUNCIL  
ON**

**HB 1671, HD1, RELATING TO TRANSIENT ACCOMMODATIONS TAX  
Committee on Finance  
Tuesday, February 25, 2014  
11:15 a.m.  
Conference Room 308**

Dear Chair Luke and Committee Members:

Thank you for this opportunity to submit testimony in support of HB 1671, HD1, relating to the Transient Accommodations Tax. My testimony is submitted in my individual capacity as the Economic Development (Sustainability / Agriculture / Food / Energy) & Intergovernmental Relations Committee Chair and Councilmember of the Kaua'i County Council.

HB 1671, HD1, in its current form will remove the cap on the Counties share of the Transient Accommodations Tax (TAT) revenues, which will be based on a percentage of the total TAT collected.

Prior to 2011, the Counties were receiving 44.8% of the revenues collected for TAT. It was then capped at \$93 million, pursuant to Act 103, Session Laws of Hawai'i (SLH) 2011, and then made permanent by Act 161, SLH 2013. This has resulted in millions of dollars of lost revenue to the Counties, and is evident in the tremendous increase in TAT collections each year.

It is estimated that the County of Kaua'i is expected to assume an approximate \$8.8 million shortfall for Fiscal Year 2014-2015 alone. A major contributor to this shortfall is the Collective Bargaining increases approved this past year. Because of this shortfall, the County is faced with seeking additional revenue sources for the upcoming Fiscal Year.

Last year, Kaua'i County Councilmembers analyzed our visitor related expenses and concluded that the County of Kaua'i expended approximately \$44 million on visitor related expenses alone for Fiscal Year 2011-2012. Visitor expenses

Chair Luke and Committee Members

RE: HB 1671, HD1, Relating to Transient Accommodations Tax

February 24, 2014

Page 2

include services for public safety, parks, road maintenance, and many others. On any given day, visitors comprise of approximately 21% of the population on Kaua'i.

Currently, the County of Kaua'i receives \$13,485,000 of TAT revenues from the State. If the cap for the Counties is removed, the County of Kaua'i will receive much needed revenue to continue providing services for our visitors and residents alike.

For the reasons stated above, I respectfully request that the Committee approve this measure. Again, thank you for this opportunity to submit testimony.

Sincerely,

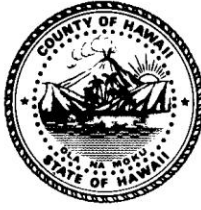
A handwritten signature in black ink, appearing to read 'Gary L. Hooser', written over a horizontal line.

GARY L. HOOSER

Councilmember, Kaua'i County Council

AB:mn

**Greggor Ilagan**  
Council Member  
District 4 – Puna Makai



Office: (808) 965-2712  
Fax: (808) 965-2707  
Email: [gilagan@hawaiiicounty.gov](mailto:gilagan@hawaiiicounty.gov)

**HAWAI'I COUNTY COUNCIL**  
25 Aupuni Street, Hilo, Hawai'i 96720

February 24, 2014

The Honorable Representative Sylvia Luke, Chairperson  
Honorable Representative Scott Y. Nishimoto, Vice Chair  
Honorable Representative Aaron Ling Johanson, Vice Chair  
and Honorable Finance Committee Members

SUBJECT: In Support of House Bill 1671 Relating to Transient Accommodations Tax

Aloha Chair Luke, Vice Chair Nishimoto and Finance Committee Members,

My name is Greggor Ilagan, I am a District 4 Councilmember with the Hawai'i County Council. I fully support H.B. No. 1671, relating to the removal of the cap on the Transient Accommodations Tax. On February 5, 2014, the County Council voted to support a resolution created by Councilmember Dennis "Fresh" Onishi, which urges the State Legislature to support its counties by passing House Bill 1671.

Funds from this tax directly impact services that promote health, safety and well-being. The removal of this cap would enable our county to better serve island residents and visitors with necessary infrastructure and first responder emergency services.

Thank you for your time and consideration on this matter. Please support the removal of the TAT cap.

Sincerely,  
Greggor Ilagan, District 4

**COUNTY COUNCIL**

Jay Furfaro, Chair  
Mason K. Chock, Sr., Vice Chair  
Tim Bynum  
Gary L. Hooser  
Ross Kagawa  
Mel Rapozo  
JoAnn A. Yukimura



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**Council Services Division**  
4396 Rice Street, Suite 209  
Līhu'e, Kaua'i, Hawai'i 96766

February 24, 2014

**TESTIMONY OF JAY FURFARO  
COUNCIL CHAIR, KAUAI COUNTY COUNCIL  
ON**

**HB 1671, HD1, RELATING TO TRANSIENT ACCOMMODATIONS TAX  
Committee on Finance  
Tuesday, February 25, 2014  
11:15 a.m.  
Conference Room 308**

Dear Chair Luke and Committee Members:

Thank you for this opportunity to submit testimony in support of HB 1671, HD1, relating to the Transient Accommodations Tax. My testimony is submitted in my individual capacity as Chair of the Kaua'i County Council.

HB 1671, HD1, in its current form will remove the cap on the Counties share of the Transient Accommodations Tax (TAT) revenues, which will be based on the percentage of TAT collected.

Prior to 2011, the Counties were receiving 44.8% of the revenues collected for TAT. It was then capped at \$93 million, pursuant to Act 103, Session Laws of Hawai'i (SLH) 2011, and then made permanent by Act 161, SLH 2013. This has resulted in millions of dollars of lost revenue to the Counties, and is evident in the tremendous increase in TAT collections each year. Currently, the County of Kaua'i receives \$13,485,000 of TAT revenues from the State. If the cap for the counties is removed, and if the TAT rate remains at 9.25%, the County of Kaua'i will receive approximately \$10 million in additional revenue for much needed services for the County.

In my estimations, the County of Kaua'i may assume an approximate \$8.8 million shortfall for Fiscal Year 2014-2015 alone. A major contributor to this shortage is from the Collective Bargaining increases approved this past year. Due to the shortfall, the County is faced with seeking additional revenue sources to just keep afloat during the upcoming Fiscal Year.

Chair Luke & Committee Members

RE: HB 1671, HD1, Relating to Transient Accommodations Tax

February 24, 2014

Page 2

Last year, an analysis on the Visitor Related Expenses was conducted by Kaua'i County Councilmembers, and concluded that for Fiscal Year 2011-2012, the County of Kaua'i expended approximately \$44 million on visitor related expenses. Visitor expenses include services for public safety (i.e. Fire and Police), parks (i.e. maintenance of County parks, the Wailua Golf Course, etc.), Public Works (i.e. road maintenance, solid waste, etc.), and many others.

On any given day, visitors comprise approximately 21% of the population on Kaua'i. The visitor industry is one of our primary economic engines; and to maintain our loyal visitor base, we need to meet their high demand and expectations. Additional revenue received from the TAT would greatly assist the County in meeting the increasing demand and expectations of our visitors and citizens alike.

For the reasons stated above, I respectfully request that the Committee approve this measure. Again, thank you for this opportunity to submit testimony.

Sincerely,

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

JAY FURFARO

Council Chair, Kaua'i County Council

AB:lc



# TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: TRANSIENT ACCOMMODATIONS, Distribution to counties

BILL NUMBER: HB 1671, HD-1

INTRODUCED BY: House Committee on Tourism

BRIEF SUMMARY: Amends HRS section 237D-6.5(b)(3) to provide that transient accommodations tax (TAT) revenues shall be distributed to the counties on a percentage basis (44.8%) rather than using a fixed amount of \$93 million.

EFFECTIVE DATE: July 1, 2050

STAFF COMMENTS: Due to the dire financial condition of the state, the legislature by Act 103, SLH 2011, limited the distribution of TAT revenues to the counties at \$93 million, which resulted in more residual TAT revenue being deposited into the state general fund. While Act 103 provided that the \$93 million limitation was to sunset on June 30, 2015, the legislature by Act 161, SLH 2013, changed the distributions of TAT revenue from a percentage basis to a specific dollar amount and not only left the \$93 million limit of TAT revenues distributed to the counties, but made it permanent by repealing the June 30, 2015 sunset date.

What this proposal underscores is the fact that both state and county governments have grown well beyond their means and are searching for more available revenue. The counties have justified their share of the TAT by rationalizing that the funds go to pay for the impact visitors have on county facilities and services; however, at the same time all four counties have managed to impose much higher tax rates on hotel/resort real property and in one case a special rate on resort time share property.

The search for more and higher taxes has to stop somewhere. Both levels of government need to resize their operations and set priorities for what limited resources taxpayers can share with government.

Digested 2/23/14



HOUSE OF REPRESENTATIVES  
THE TWENTY-SEVENTH LEGISLATURE  
REGULAR SESSION OF 2014

COMMITTEE ON FINANCE  
Representative Sylvia Luke, Chair

2/25/2014  
Rm. 308, 11:15 AM

HB 1671, HD 1  
Relating to Transient Accommodations Tax

Chair Luke and Members of this Committee, my name is Max Sword, here on behalf of Outrigger Hotels Hawaii, in support of HB 1671.

When the Hawaii Tourism Authority (HTA) was first formed, the Transient Accommodations Tax (TAT) was increased as well, so that funds could be divided between four entities. There was the HTA with the funds going for tourism promotion, funds for the payment of the Hawaii Convention Center debt, the four counties for the impact that tourism had on the infrastructure and the State.

Also part of the original plan was that the division of the TAT would also be based on a percentage, so that as the TAT funds grew, so did the funds to the four entities.

However, with the current cap on funds, the amount that the counties should be getting, is considerably below what they should be receiving, based on the original formula.

Mahalo for allowing use to testify and we urge your support of this bill.



Hawai'i Convention Center  
1801 Kalākaua Avenue, Honolulu, Hawai'i 96815  
**kelepona** tel 808 973 2255  
**kelepa'i** fax 808 973 2253  
**kahua pa'a** web [hawaii tourismauthority.org](http://hawaii tourismauthority.org)

**Neil Abercrombie**  
Governor

**Mike McCartney**  
President and Chief Executive Officer

Testimony of  
**Mike McCartney**  
President and Chief Executive Officer  
Hawai'i Tourism Authority  
on  
**H.B. 1671, H.D.1**  
**Relating to Transient Accommodations Tax**  
House Committee on Finance  
Tuesday, February 25, 2014  
11:15 a.m.  
Conference Room 308

The Hawaii Tourism Authority (HTA) offers these comments on H.B. 1671, H.D.1, which proposes to change the allocation of transient accommodations tax (TAT) revenues to the counties from \$93 million to 44.8 per cent of TAT revenues collected.

In 1990, Act 185 was enacted to provide a more equitable method of sharing state revenues with the counties, in lieu of grants-in-aid. In passing this law, the Legislature noted that "...many of the burdens imposed by tourism fall on the counties." The pressures of the visitor industry mean greater demands on county services, such as providing, maintaining, and upgrading police and fire protection, parks, beaches, water, roads, sewage systems, and other tourism-related infrastructure. The distribution of the TAT to the counties is meant to provide the counties with a "stable and continuing source of revenue... that will enable the counties to provide for their needs." (Conference Committee Report No. 207 (1990)).

The county TAT is an investment in maintaining and enhancing the Hawaii brand, which gives us the return on that investment from our visitors. Our visitors' expenditures, \$40 million per day, support 175 thousand jobs and amount to \$4.1 million per day in tax revenue. The county investment of TAT revenues is important to maintaining our visitor numbers and improving the quality overall Hawaii product, which gives us access to airline seats of twenty carriers from over fifty cities.

The HTA developed the *Hawai'i Tourism Strategic Plan*, with stakeholders in government, industry and the community throughout the state, which recognizes that the counties are important partners in achieving the vision of the plan. Our county partners are an integral part of maintaining and preserving the Hawai'i brand and enhancing the "experience" of our visitors. This includes the upkeep of counties' parks and beaches as well as the maintenance water, roads, and sewage systems.

Additionally, the counties' police and fire departments are very important to the safety and security of Hawai'i's visitors.

Preserving the distribution of the TAT to the counties is important for the ability of the counties to provide these services to the visitor industry. How much is allocated is a legislative decision, which should be made with the knowledge of why the allocation is important to the counties and Hawai'i's economy.

HTA is very much aware of the difficult fiscal choices the States currently faces and realizes this is ultimately a policy decision for the Legislature to make.

Thank you for the opportunity to provide these comments.

**finance1**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, February 24, 2014 10:45 AM  
**To:** FINTestimony  
**Cc:** Don.Couch@mauicounty.us  
**Subject:** \*Submitted testimony for HB1671 on Feb 25, 2014 11:15AM\*

**HB1671**

Submitted on: 2/24/2014

Testimony for FIN on Feb 25, 2014 11:15AM in Conference Room 308

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Councilmember Don Couch	Individual	Support	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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**finance1**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, February 24, 2014 10:01 AM  
**To:** FINTestimony  
**Cc:** stacy.crivello@mauicounty.us  
**Subject:** Submitted testimony for HB1671 on Feb 25, 2014 11:15AM

**HB1671**

Submitted on: 2/24/2014

Testimony for FIN on Feb 25, 2014 11:15AM in Conference Room 308

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Councilmember Stacy Helm Crivello	Individual	Support	No

Comments: I support the measure and support Maui County Council Chair Gladys Baisa testimony submitted earlier today.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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TESTIMONY BY KALBERT K. YOUNG  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE HOUSE COMMITTEE ON FINANCE  
ON  
HOUSE BILL NO. 1671, H.D. 1

February 25, 2014

**LATE**

RELATING TO TRANSIENT ACCOMMODATIONS TAX

House Bill No. 1671, H.D. 1, removes the current \$93 million cap on transient accommodations tax (TAT) revenues to be distributed to the counties and establishes the distribution of these revenues at 44.8% of the TAT collected under Section 237D-6.5, Subsection (b), Hawaii Revised Statutes (HRS).

The Department of Budget and Finance has serious concerns regarding the removal of the \$93 million cap on TAT revenues that are distributed to the counties under Section 237D-6.5, Subsection (b), HRS. Removing the cap and establishing the distribution of the TAT revenues to the counties at 44.8% of the TAT collected, would result in the following significant general fund tax losses on the State's financial plan:

	<u>FY 15</u>	<u>FY 16</u>	<u>FY 17</u>	<u>FY 18</u>	<u>FY 19</u>
General Fund Loss (Million)	\$81	\$98	\$107	\$116	\$126

These tax losses are currently not provided for in the financial plan, in the proposed Budget-in-Brief, or the Council on Revenues' forecast for future fiscal years. Any revision to currently forecasted revenue should be deliberated on the financial plan for forward-looking sustainability as the Legislature will have to contend with funding programs for the long-term. The Administration has developed the six-year financial plan with an eye and objective towards sustainability across economic cycles without the need for state tax increases and ensuring positive ending balances in each year of the financial plan. Measures such as this would require reassessment if those objectives are achievable.



**HAWAI'I LODGING & TOURISM**  
ASSOCIATION

**LATE**

Testimony of George Szigeti  
President & CEO  
HAWAI'I LODGING & TOURISM ASSOCIATION  
Committee on Finance  
Hearing on February 25, 2014, 11:15 a.m.  
House Bill 1671 HD1 Relating to Transient Accommodations Tax

Dear Chair Luke, Vice Chair Nishimoto, Vice Chair Johanson, and Members of the Committee. My name is George Szigeti and I am the President and CEO of the Hawai'i Lodging & Tourism Association.

The Hawai'i Lodging & Tourism Association (HLTA) is a statewide association of hotels, condominiums, timeshare companies, management firms, suppliers, and other related firms that benefit from and strengthen Hawai'i's visitor industry. Our membership includes over 150 lodging properties, representing over 48,000 rooms, and approximately 470 other Allied members. The lodging industry alone employs over 38,000 workers across the state of Hawai'i and generated over \$5.7 billion in annual sales in 2012. As part of the broader visitor industry – which employs 1/6 of all workers and 1/5 of those in the private sector, and generated \$14.4 billion in visitor spending in 2012 – we represent one of Hawai'i's largest industries and a critical sector of the economy.

On behalf of HLTA, permit me to offer these comments regarding HB1671 HD1, which would remove the current \$93 million cap on Transient Accommodations Tax revenues distributed to the counties and replace with a percentage, designated as 44.8%.

HLTA believes the county governments should receive a stable and equitable level of funding support from the State government. This is important because the counties must absorb much of the infrastructure costs created by the community and visitor industry. In 1990, the Legislature recognized this fact and initiated the distribution of TAT revenues to the counties. Originally, the amount of TAT revenues allocated to the counties was based on a percentage. It was only recently that the \$93 million cap was created - even though the growing number of visitors has put greater demands on many of the county services.

HLTA understands that the State must also use TAT revenues to fund various programs that support and enhance Hawai'i as a destination; however, we ask that, as you discuss funding via HB1671 HD1, this Committee consider the important infrastructure and services provided by the counties to support the visitor industry.

Thank you for this opportunity to comment.

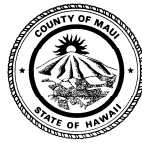


Council Chair  
Gladys C. Baisa

Vice-Chair  
Robert Carroll

Presiding Officer Pro Tempore  
Michael P. Victorino

Council Members  
Elle Cochran  
Donald G. Couch, Jr.  
Stacy Crivello  
Don S. Guzman  
G. Riki Hokama  
Mike White



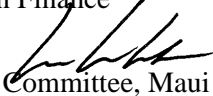
Director of Council Services  
David M. Raatz, Jr., Esq.

**COUNTY COUNCIL**  
COUNTY OF MAUI  
200 S. HIGH STREET  
WAILUKU, MAUI, HAWAII 96793  
www.maui-county.gov/council



February 24, 2014

TO: The Honorable Sylvia Luke, Chair  
House Committee on Finance

FROM: Mike White, Chair   
Budget and Finance Committee, Maui County Council

SUBJECT: **HEARING OF FEBRUARY 25, 2014; TESTIMONY IN SUPPORT OF HB 1671  
HD1, RELATING TO TRANSIENT ACCOMMODATIONS TAX**

Thank you for the opportunity to testify **in support** of this important measure. The purpose of this measure is to remove the current cap on transient accommodations tax ("TAT") revenues distributed to the counties and establish the distribution of these revenues as a percentage of TAT collected.

The Maui County Council has not had the opportunity to take a formal position on this matter. Therefore, I am providing this testimony in my capacity as an individual member of the Council.

In addition to serving as the Chair of the Maui County Council Budget and Finance Committee, my testimony is also informed by my visitor industry experience, as General Manager of the Kaanapali Beach Hotel for 28 years, and through my service as a State Legislator from 1993 to 1998.

I support this measure for the following reasons:

1. The TAT cap was understood to be a temporary measure to assist the State with a budget shortfall because of a 9.8 per cent drop in tax revenues in 2009. Beginning in 2010, the State's revenue collections began to recover.

Beginning in July 2011, the State capped the counties' share of the TAT, at a time when the counties' property values had dropped significantly and property tax collections followed.

As shown in the table below, FY 2013 tax revenues for the State were \$1.6 billion higher, an increase of 32.4 per cent, over FY 2009 revenues. During the same period, City and County of Honolulu revenues have remained flat, and Neighbor Island counties have seen continued revenue declines.

**The bottom line is the State made use of the TAT revenues when it needed them and has not responded to the counties' financial needs as the State's fortunes improved.**

**Change in total revenues collected**  
Comparing FY 2013 to FY 2009

	\$	%
State	\$1,602,257,710	32.4%
C&C	\$5,100,000	0.6%
Maui	-\$9,226,000	-4.2%
Hawaii	-\$30,577,000	-13.5%
Kauai	-\$20,412,000	-19.7%

Sources:

- For State revenues: Monthly tax collection reports, State of Hawaii Department of Taxation  
[http://tax.hawaii.gov/stats/a5\\_3txcolrpt/](http://tax.hawaii.gov/stats/a5_3txcolrpt/)
- For county valuations and revenues: Real Property Valuation reports, City and County of Honolulu Department. of Budget and Fiscal Services, Real Property Assessment Division  
<http://www.realpropertyhonolulu.com/>

2. The Neighbor Islands have had more difficulty rebounding from the impact of the economic recession. Visitor industry revenues per available room have increased by 35.7 per cent on Oahu but are still flat or below 2007 values on the Neighbor Islands.

**Change in revenue per available room**  
Comparing FY 2013 to FY 2007

	<i>Revenue per available room</i>		<i>Change</i>	
	<i>2007</i>	<i>2013 (est.)</i>	\$	%
Oahu	\$129.71	\$175.96	\$46.25	35.7%
Maui	\$200.61	\$197.52	-\$3.09	-1.5%
Hawaii	\$136.78	\$129.85	-\$6.93	-5.1%
Kauai	\$155.66	\$156.31	\$0.65	0.4%
<i>Statewide</i>	<i>\$150.49</i>	<i>\$172.68</i>	<i>\$22.19</i>	<i>14.7%</i>

Source:

- Revenue per Available Room: "Hawaii Hotel Flash Report" provided by Hospitality Advisors, LLC

Additionally, real property tax valuations are 5.5 per cent lower than 2009 for Oahu, 25.1 per cent lower for Maui, 16.2 per cent lower for Hawaii, and 18.0 per cent lower for Kauai. Most counties have increased tax rates to offset revenue shortfalls.

3. Local governments bear a significant responsibility for providing the array of services and infrastructure necessary to support a vibrant visitor industry. For that reason, TAT or hotel room taxes elsewhere are municipal taxes.

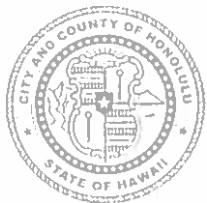
The table below shows TAT estimated generated and received by the counties for FY 2013.

**TAT earned and received by the counties**

	<i>FY 2013 TAT, \$ Millions</i>		
	<i>Generated by the counties (est.)</i>	<i>Received, with cap</i>	<i>Would receive, without cap</i>
C&C	176.7	41.0	72.8
Maui	115.4	21.2	37.6
Hawaii	40.1	17.3	30.7
Kauai	37.0	13.5	23.9

**The State is urged to view the removal of the TAT cap not as a loss, but rather the *return* of revenues the counties were promised, have relied on, and have responsibly budgeted for more than 20 years.**

For the foregoing reasons, I **support** this measure.



**CITY COUNCIL**  
CITY AND COUNTY OF HONOLULU  
530 SOUTH KING STREET, ROOM 202  
HONOLULU, HAWAII 96813-3065  
TELEPHONE: (808) 768-5010 • FAX: (808) 768-5011

**ERNEST Y. MARTIN**  
CHAIR and PRESIDING OFFICER  
HONOLULU CITY COUNCIL  
DISTRICT 2  
TELEPHONE: (808)768-5002  
FAX: (808) 768-1222  
EMAIL: [emartin@honolulu.gov](mailto:emartin@honolulu.gov)

**LATE**

Testimony of  
**ERNEST Y. MARTIN**  
Council Chair and Presiding Officer  
Honolulu City Council

Before the House Committee on  
**FINANCE**  
on  
Tuesday, February 25, 2014

In support of  
**HOUSE BILL 1671 HD 1**  
**RELATING TO TRANSIENT ACCOMMODATIONS TAX**

I appreciate the opportunity to testify in **strong support** of this very important measure that removes the current cap on the transient accommodations tax (TAT). In an unprecedented unified effort, all four of the Council Chairs have met with key members of the Hawaii State Legislature to voice their strong support for HB 1671 HD 1. The chairs indicated that this measure is a top priority for all County Councils.

Over the past few years, Honolulu contributed millions of dollars to upgrade and renovate several areas of Waikiki to enhance the visitor experience. The additional TAT revenues the counties receive would go a long way in maintaining our beaches and parks, to continue to promote our state as a premium visitor destination and, specifically for Honolulu, to avoid enacting poorly conceived revenue-enhancing measures that would negatively infringe upon our well-deserved and longstanding image as one of the most desired tourist destinations in the world.

Therefore, I strongly support this measure as it removes the cap on TAT revenues that are distributed to all of Hawaii's counties. Since the Hawaii State economy is recovering and collections from the TAT have been increasing, the cap is no longer necessary. Increased TAT revenues are so needed to provide for the increase of visitor related costs to the counties especially in the areas of core city services and infrastructure.

Ultimately, the counties are committed to use the increased TAT revenues to provide for vital core city services and necessary infrastructure improvements that will provide for the people of the State of Hawaii, accommodate tourists on their vacations, and attract more visitors to our state. For all of the reasons stated above, I **strongly support** HB 1671 HD 1.

The Twenty-Seventh Legislature  
Regular Session of 2014

HOUSE OF REPRESENTATIVES  
Committee on Finance  
Rep. Sylvia Luke, Chair  
Rep. Scott Y. Nishimoto, Vice Chair  
Rep. Aaron Ling Johanson, Vice Chair  
State Capitol, Conference Room 308  
Tuesday, February 25, 2014; 11:15 a.m.



**STATEMENT OF THE ILWU LOCAL 142 ON H.B. 1671, HD1  
RELATING TO TRANSIENT ACCOMMODATIONS TAX**

The ILWU Local 142 **supports** H.B. 1671, HD1, which removes the current cap on transient accommodations tax revenues to be distributed to the counties and establishes the distribution of these revenues as a percentage of TAT collected.

Tourism is the main industry driving Hawaii's economy on all islands. Visitors come from around the world to Hawaii as a destination, not just to Oahu but to all islands. The Transient Accommodations Tax (TAT) is assessed to visitors staying at hotels throughout the state and should be used not just to market for more visitors but also to ensure that visitors will have a pleasant, safe experience here.

Toward that end, counties play a hugely important role. When visitors drive around any of the islands, they want to see beautiful beaches with lifeguards, clean streets and parks, police protecting the public's safety, and fire and emergency personnel available to assist in emergency situations. Counties provide these services, yet their taxing power is limited. They must rely, hat in hand, on the State.

The original intent of the TAT was to provide counties with a percentage of the TAT to offset the impact of visitors on services provided by the counties. As visitor numbers increase, visitor impact will increase, but TAT revenue will also increase. By restoring the counties' share of the TAT to a percentage of the total rather than a fixed dollar amount, TAT revenues to the counties will be in line with increased visitor counts and increased impacts on county services.

The ILWU urges passage of H.B. 1671, HD1 as a fair, reasonable response to the counties' expanding responsibilities amidst a growing visitor sector. Thank you for considering our testimony.

**Bernard P. Carvalho, Jr.**  
Mayor



**Steven A. Hunt**  
Director of Finance

**Nadine K. Nakamura**  
Managing Director

**Sally A. Motta**  
Deputy Director of Finance

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**LATE TESTIMONY**

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

**Before the House Committee on Finance**

**Tuesday, February 25, 2014**  
**11:15 a.m.**

**State Capitol, Conference Room 308**

**In consideration of**  
**HOUSE BILL 1671, HD1**  
**RELATING TO TRANSIENT ACCOMMODATIONS TAX**

Chair Luke, members of the Finance Committee, I thank you for this opportunity to express our strong support for removing the counties' cap on the proportional sharing of the Transient Accommodations Tax (TAT), which has been in place since fiscal year 2012.

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) currently receives \$13.485 million in revenue from transient accommodations taxes; 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.

With less than three weeks away from the deadline to submit Kaua'i's FY15 budget, the impacts of a prolonged cap on TAT revenue are already evident. Kaua'i's fund balances have been virtually depleted, taxes and fees have been raised and are proposed to be raised yet again, facilities maintenance and replacement of aging equipment will be deferred yet another year, and for the first time ever Kaua'i's actuarial retirement contribution payment to the Employee Retirement System will likely be short-funded. The estimated TAT revenue that Kaua'i has foregone as a result of the ongoing cap is approximately \$23 million, with nearly \$10.5 million lost in FY13 alone. Kaua'i is

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struggling to meet the current demand for services while simultaneously finding ways to address the fiscal realities associated with rising costs and a somewhat stagnant tax base. This financial strain also jeopardizes our ability to tackle new projects such as waste diversion and the construction of a new landfill, as we simply do not have the revenue stream to support any new debt or bond offerings.

In 2011 the Legislature amended the allocation of the Transient Accommodation Tax (TAT) so that the counties' share was capped at \$93,000,000. The counties fully understood the reasons for this and agree that the state's ability to improve its financial position was in the best interest of all. With the state now being on much firmer financial footing, we respectfully ask your committee to return to former TAT revenue sharing paradigm, as it was intended, by removing the temporary cap for the counties' share of this revenue. The TAT remains one of our County's only off-island sources of taxes. Without access to the proportionate share of these taxes, our citizens will continue to subsidize the costs associated with the visitor industry by way of higher taxes and fees. We need to spread those costs more fairly by getting the appropriate level of revenues from our visitor industry. Thank you for the opportunity to testify on House Bill 1671, House Draft 1.