

OFFICE OF THE MAYOR  
CITY AND COUNTY OF HONOLULU

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KIRK CALDWELL  
MAYOR

EMBER LEE SHINN  
MANAGING DIRECTOR DESIGNATE

GEORGETTE T. DEEMER  
DEPUTY MANAGING DIRECTOR

TESTIMONY OF KIRK CALDWELL, MAYOR  
CITY AND COUNTY OF HONOLULU  
BEFORE THE SENATE  
COMMITTEE ON WAYS AND MEANS  
Friday, February 22, 2013, 9:00 a.m., Conference Room 211

**SENATE Bill 1194 SD1, "RELATING TO TRANSIENT ACCOMMODATIONS TAX"**

**Position: Comment**

To: The Honorable David Y. Ige, Chair  
and Members of the Committee on Ways and Means

The City & County of Honolulu respectfully submits comments regarding Senate Bill 1194 SD1, "Relating to Transient Accommodations Tax", which proposes to eliminate the sunset date of the Transient Accommodations Tax rate of 9.25 %, and also eliminates the sunset date for the amounts to be distributed to the tourism special fund and the counties.

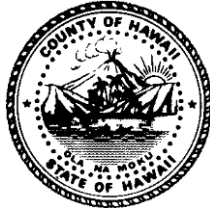
While we support the elimination of the sunset clause, we request that the counties' share remain at 44.8%, and not be reduced to 35.1%. We also request that the \$93 million dollar cap be removed.

Each fiscal year, the City & County of Honolulu relies on receiving its share of the TAT in order to sustain its basic City operations. For example, the City's FY13 Proposed Operating Budget projected \$41 million in TAT revenue from the state. Any decrease in this amount would adversely affect our ability to serve the public.

The issue here is fairness and equity. In FY 2012, the City & County of Honolulu generated \$257.2 million, or 79.4%, of the total \$323.9 million of TAT collected. With the cap imposed in FY 2012, Honolulu only received \$41 million in TAT revenues, which is about 12.7%. Furthermore, the City & County of Honolulu expends a significant amount of its resources to support our tourism industry. Services we provide include ocean safety, park maintenance, police protection, fire protection, bus services, and infrastructure repair and maintenance. The City also provides attractions and activities, such as the Honolulu Zoo, the Hanauma Bay Preservation Park, Royal Hawaiian Band performances, and our municipal golf courses. In FY 2012 the City spent approximately \$74.1 million on visitor industry services, yet only received \$41 million in TAT. The current \$93 million dollar cap, as well as the proposed decrease in the counties share, will prohibit the City & County of Honolulu from receiving a fair compensation for the services it provides.

Mahalo for the opportunity to testify on this bill. Should you have any questions or concerns, please feel free to contact me at 768-4141.

**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  
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(808) 323-4444 • Fax (808) 323-4440

February 22, 2013

The Honorable David Y. Ige, Chair,  
And Members of the Senate Committee on Ways and Means  
Hawai‘i State Capitol, Room 211  
415 South Beretania Street  
Honolulu, Hawai‘i 96813

Re: Senate Bill 1194 SD1, RELATING TO TRANSIENT ACCOMODATIONS TAX

Aloha, Chair Ige and Committee Members:

Thank you for this opportunity to express our strong opposition to any proposal to make permanent the temporary cap on the counties' share of transient accommodation tax revenue (TAT). Permanently capping the amount of TAT funding distributed to the counties will leave the counties without the necessary resources to provide essential services to our residents or support for the visitor industry in the years ahead.

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.

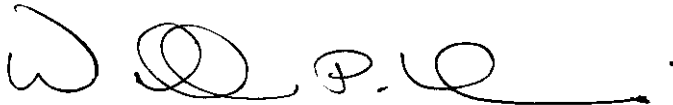
The Honorable David Y. Ige  
Page 2  
February 22, 2013

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. TAT collections are our second largest source of revenue, and 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 cap in TAT revenues to the counties that was imposed in 2011 was always understood to be a temporary measure, and the cap is scheduled to end in 2015. We respectfully ask that your committee remove the cap on the counties' share of TAT revenues.

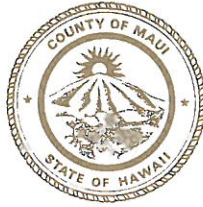
Mahalo for your consideration.

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

ALAN M. ARAKAWA  
MAYOR



200 South High Street  
Wailuku, Hawai'i 96793-2155  
Telephone (808) 270-7855  
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## OFFICE OF THE MAYOR

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

### TESTIMONY OF ALAN ARAKAWA, MAYOR <sup>ca</sup> COUNTY OF MAUI

#### BEFORE THE SENATE COMMITTEE ON WAYS & MEANS

Friday, February 22, 2013, 9:00 a.m., Conference Rm. 211

#### **SENATE BILL 1194** RELATING TO TRANSIENT ACCOMMODATIONS TAX

The Honorable Senator David Y. Ige, Chair  
Honorable Senator Michelle N. Kidani, Vice Chair  
And Members of the Committee on Ways and Means

Thank you for this opportunity to offer testimony relating to SB1194 relating to the Transient Accommodations Tax (TAT).

As Mayor of Maui County, I am honored to be united with the mayors of Hawaii, Honolulu, and Kauai counties, to strongly oppose any effort to reduce the counties' proportionate share of the TAT. My administration has also opposed any effort to make permanent the temporary cap on the counties' share of the TAT put in place in 2011.

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.)

Therefore, any reduction in the counties' share of TAT revenues leaves the counties with no way to cope with the ever increasing costs of sewer, water, police, fire, lifeguards and other services the counties must provide our constantly increasing visitors. If the TAT cannot sufficiently cover the cost of these services to our visitors, the services will have to be reduced or the facilities will deteriorate. The State of Hawaii and its individual counties are vacation destinations for visitors from around the globe, and to reduce services and let facilities deteriorate would severely tarnish this image. Our residents and families would also suffer from such reduction in services and facilities.

Moreover, the cap was always understood to be a temporary measure to assist the state with a temporary budget shortfall, with a sunset of 2015. 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. Normally, as visitor arrivals increase there is 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 TAT cap is made permanent, this would leave the counties and our residents to forever absorb the additional cost of ever-growing numbers of visitors.

For these reasons, we respectfully ask that the cap on the counties' share of the TAT be lifted, and that the counties' proportionate share of the proceeds not be reduced in any way.



February 22, 2013

The Honorable David Y. Ige, Chair  
and Members of the Senate Committee on Ways and Means  
Hawai'i State Capitol  
415 South Beretania Street, Room 211  
Honolulu, Hawai'i 96813

RE: Senate Bill 1194 SD1, RELATING TO TRANSIENT ACCOMODATIONS TAX

Aloha, Chair Ige and Committee Members:

The Hawai'i Council of Mayors, which includes the mayors of Hawai'i, Honolulu, Kaua'i and Maui counties, strongly opposes any effort to make permanent the temporary cap on the counties' share of transient accommodation tax revenue (TAT) put in place in 2011. The Hawai'i Council of Mayors also opposes any effort to reduce the counties' proportionate share of the TAT.

The cap was always understood to be a temporary measure to assist the state with a temporary budget shortfall, with a sunset in 2015. Now that the state economy is recovering and state transient accommodations tax collections are climbing to record levels, there is no further justification for the cap. We respectfully ask that the committee remove the cap on the counties' share of TAT revenues.

From the very beginning of the transient accommodations tax, the counties were always intended to receive a proportionate share of TAT revenue because the counties provide the bulk of services used by visitors. Arbitrarily reducing the counties' share of the tax increases the burden of mass tourism on the counties and our residents.



**Mayor William Kenoi**  
County of Hawaii  
25 Aupuni Street  
Hilo, Hawaii 96720



**Mayor Kirk Caldwell**  
City and County of Honolulu  
530 South King Street  
Honolulu, Hawaii 96813



**Mayor Bernard Carvalho, Jr.**  
County of Kauai  
4444 Rice Street  
Lihue, Hawaii 96766



**Mayor Alan Arakawa**  
County of Maui  
200 South High Street, 9<sup>th</sup> Floor  
Wailuku, Hawaii 96793

The Honorable David Y. Ige

Page 2

February 22, 2013

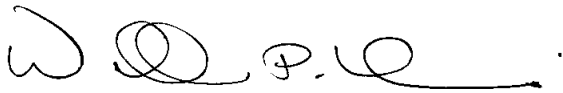
The costs of providing county services to visitors are always increasing. Normally, as tourism increases there is also an increase in county collections from the TAT to help offset some of the escalating costs from the influx of record numbers of visitors. If the TAT cap is made permanent, that will leave the counties to forever absorb the additional cost of ever-growing numbers of visitors.

This is not sustainable. Reducing the counties' share of TAT revenues leaves the counties with no way to cope with the ever increasing costs of sewer, police, fire, lifeguards and other services the counties must provide to serve ever-growing numbers of visitors. If the TAT cannot cover sufficiently the cost of those services, the services will have to be reduced or the facilities will deteriorate. This will create a less favorable environment for visitors and residents alike. The counties cannot raise property taxes to cover those constantly increasing costs without bankrupting local resident taxpayers.

For those reasons, we respectfully ask that the committee lift the cap on the counties' share of the TAT and maintain the counties' proportionate share of the proceeds.

Thank you for your consideration.

Sincerely,



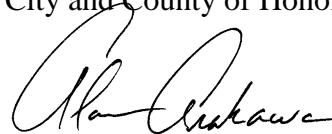
William Kenoi, Mayor  
County of Hawai'i



Kirk Caldwell, Mayor  
City and County of Honolulu



Bernard Carvalho, Jr., Mayor  
County of Kaua'i



Alan Arakawa, Mayor  
County of Maui

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 21, 2013

TO: The Honorable David Y. Ige, Chair  
Senate Committee on Ways and Means

FROM: Gladys C. Baisa   
Council Chair

SUBJECT: **HEARING OF FEBRUARY 22, 2013; TESTIMONY IN OPPOSITION TO SB 1194, SD 1, RELATING TO TRANSIENT ACCOMMODATIONS TAX**

Thank you for the opportunity to testify in opposition to this important measure. The purpose of this measure is to eliminate the sunset of the Transient Accommodations Tax ("TAT") rate of 9.25 per cent; decrease the amounts to be distributed to the convention center enterprise special fund, tourism special fund and the counties; eliminate the daily transient accommodations tax for complimentary accommodations; and eliminate the temporary cap on funds allocated to the tourism special fund.

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.

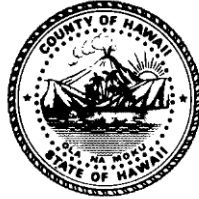
I strongly oppose this measure for the following reasons:

1. There is a clear correlation between the visitors' impact on county infrastructure and returning a fair share of county-earned TAT revenue to the respective county government. As Maui County continues to see a rise in visitor counts, I am concerned that any reduction to the current distribution of TAT could hinder the County's ability to fully participate in any economic recovery experienced by the State.
2. Reducing the amount of TAT distributed to the counties would create an unfair imbalance as costs associated with an increase in visitor counts within a county would not be offset by a corresponding increase in revenues to that county. If the distribution of TAT revenue does not correspond with rising visitor counts, any increase in infrastructure and public safety costs will undoubtedly fall to the counties.
3. Maui County's primary source of revenue is derived from real property taxes. Therefore, any reduction to the current allocation of TAT revenues distributed to Maui County could unfairly burden real property tax payers.

For the foregoing reasons, I strongly oppose this measure, as it relates solely to the decrease in the distribution of TAT revenues to the counties.



DRU MAMO KANUHA  
Council Member  
District 7, Central Kona



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EMAIL: [dkanuha@co.hawaii.hi.us](mailto:dkanuha@co.hawaii.hi.us)

## HAWAI'I COUNTY COUNCIL

West Hawai'i Civic Center 74-5044 Ane Keohokālole Highway, Kailua-Kona, Hawaii 96740

February 19, 2013

The Honorable David Y. Ige, Chair  
And Members of the Senate Committee on Ways and Means  
Hawai'i State Capitol, Room 211  
415 South Beretania Street  
Honolulu, Hawai'i 96813

The Honorable Brickwood Galuteria, Chair  
And Members of the Senate Committee on Tourism and Hawaiian Affairs  
Hawai'i State Capitol, Room 211  
415 South Beretania Street  
Honolulu, Hawai'i 96813

**RE: Opposition to S.B. No. 1194 relating to Transient Accommodations Tax.**

Dear Chair Ige, Chair Galuteria and Committee Members:

I submit this testimony in my capacity as an individual member of the Hawai'i County Council. I would like to express my strong opposition to this measure which will make permanent the temporary cap on the counties' share of transient accommodation tax revenue (TAT). Reducing the counties' share of TAT revenues will leave the counties without the necessary resources to provide essential services to our residents and our every-growing number of visitors.

We respectfully ask that your committee remove the cap on the counties' share of TAT revenues.

Thank you for your time and consideration.

Sincerely,

Dru Mamo Kanuha, Councilmember  
Council District 7, Central Kona

# TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

**SUBJECT:** TRANSIENT ACCOMMODATIONS, Make rate permanent; increase disposition to general fund

**BILL NUMBER:** SB 1194, SD-1

**INTRODUCED BY:** Senate Committee on Tourism & Hawaiian Affairs

**BRIEF SUMMARY:** Amends HRS section 237D-2 to make the temporary increase in the transient accommodation tax (TAT) rate of 9.25% permanent. Eliminates the imposition of the TAT on complimentary rooms.

Amends HRS section 237D-6.5 to provide that TAT revenues shall be allocated as follows: (1) 13.6% shall be deposited into the convention center enterprise special fund; (2) 23.5% deposited into the tourism special fund; and (3) 35.1% shall be transferred to the various counties, with any remaining revenues deposited into the general fund. Repeals the provision limiting the amount of TAT revenues deposited into the tourism special fund to \$71 million and the provision depositing the amount of TAT revenues attributable to the 1% or 2% increase in the TAT into the general fund.

**EFFECTIVE DATE:** July 1, 2013

**STAFF COMMENTS:** This was an administration measure submitted by the department of taxation TAX-13(13). The legislature by Act 61, SLH 2009, increased the TAT from 7.25% to 8.25% between 7/1/09 and 6/30/10 and to 9.25% between 7/1/10 to 6/30/15 with the proceeds attributable to the increase to be deposited into the general fund to shore up the state general fund. This measure terminates the provision depositing the amount attributable to the increase in the TAT rate to the general fund and the \$71 million limitation of the amount of TAT revenues that is to be deposited into the tourism special fund. While this measure makes the 9.25% rate permanent, it alters the disposition of TAT revenues to account for the repeal of the general fund enhancement provisions by eliminating the cap of \$71 million to the tourism special fund and eliminating the temporary 2% deposited into the general fund. The reallocation results in a similar amount being deposited into the general fund.

It should be remembered that in 1974, the Governor's Ad Hoc Commission on Operations Revenues and Expenditures (CORE) recommended that a tax on hotel rentals be enacted only in the case of extreme emergency as the tax would be exportable. Since that time, of course, the TAT was adopted initially to fund the building of a state convention center. However, because a site was not designated at the time of enactment, the funds from the tax flowed into the state general fund creating surpluses that became an embarrassment. When a site was finally selected, the tax rate was increased to 6% in order to provide a stable source for promotion of the visitor industry and provide subsidies for the maintenance of county infrastructure. Then during the economic contraction of the 1990's after the burst of the Japanese bubble, the rate was increased once again after a task force determined that adjustments needed to be made to the income tax to stimulate the economy and other responsibilities were shifted to the TAT. Understandably, the current financial crisis is one of those occurrences that the Commission alluded to

in its report more than 30 years ago. However, making the TAT an on-going source of financing for the SB 1194, SD-1 - Continued

general fund, as proposed in this measure, will only lead to increased spending and expansion of government as the economy turns around.

While this measure would make the TAT rate of 9.25% rate permanent, it should be remembered that the TAT actually hurts those who depend on the discretionary spending of visitor dollars. Lodging and its attendant taxes must be paid before there is one dollar to spend on souvenirs, tours, entertainment, and food. Thus, hiking the TAT rate merely hurts the small businesses dependent on the visitors' discretionary spending.

While it may be argued that TAT dollars are being paid by visitors to Hawaii, it should be remembered that for every dollar that is spent to pay the TAT obligation, it is one less dollar that is spent in the state's economy. It is one less pair of slippers purchased or one less restaurant meal or one less catamaran ride taken by the visitors. So in the larger sense these are not "free" dollars, but dollars that could be flowing back into the economy to generate additional income for Hawaii's people and creating additional jobs for the community.

Finally, some argue that they pay much higher occupancy tax rates in other jurisdictions of the country. For those critics there are three facts that must be recognized. First, much as visitor officials try, Hawaii is still viewed as a leisure destination in competition for discretionary dollars of travelers who have a variety of destinations from which to choose for their vacations. Second, Hawaii is challenged in that it is the most remote inhabited place on earth and, therefore, the most costly in the sense of time expended to reach paradise at a minimum of five hours of travel. And third, except for those places that are not leisure destinations like New York, Chicago or San Francisco where room rates are competitive with those charged for Hawaii rooms, higher occupancy rates are largely attributable to the fact that room rates are lower. As a result, where those hotel room tax rates are higher than Hawaii's TAT rates, the absolute dollar amount produced will be lower because the average room rate is lower than those found in Hawaii. Thus, hotel room rates are not comparable because the base against which they are applied is incongruous.

More importantly, lawmakers should remember that a "deal" was made with the industry that the increase was to be temporary to help the state during the recent difficult economic situation. To now go back on its word, even though that past legislature is different from the current, certainly questions the integrity of the policymaking body. Reneging on that promise sends a loud message that the legislature is not to be trusted and is a body that does not honor its word. Voters have every right to be cynical of any action taken by the legislature. Remembering what the 1974 CORE report recommended, the current TAT rate should be allowed to sunset and return to 7.25% and any increase in the future should be reserved for emergency situations.

The legislature by Act 103, SLH 2011, provided that a minimum tax of \$10 was to be imposed on transient accommodations provided on a complimentary or gratuitous basis. This measure proposes to repeal that imposition because the department of taxation has found this provision difficult to administer and the imposition of the minimum tax has generated little revenue. More importantly, the "minimum" rate runs counter to the underlying philosophy that the TAT is a tax on the gross income for the rental of a transient accommodation as opposed to a per unit rate that the minimum rate represents.

starwood

Hotels and  
Resorts

2155 kalakaua avenue, suite 300  
honolulu, hi 96815

united states

February 22, 2013

To: Honorable David Ige, Chair  
Honorable Michelle Kidani, Vice Chair  
Senate Committee on Ways and Means  
State Capitol, Honolulu, Hawaii 96813

RE: **SB 1194 SD1 - Relating to the Transient Accommodations Tax - Support**  
Conference Room 211, 9:00 AM

Aloha Chair Ige, Vice Chair Kidani, and Members of the Committee,

My name is Keith Vieira, Senior Vice President of Operations for Starwood Hotels and Resorts (“Starwood”) in Hawai’i and in French Polynesia. We appreciate the opportunity to provide support on SB 1194 SD1, relating to the Transient Accommodations Tax (“TAT”).

Starwood supports keeping the current rate at 9.25% only with the provision to lift the \$71 million cap for the Hawai’i Tourism Authority (“HTA”). We believe that increased revenues should support the original intent of the TAT to fund the work of HTA, which markets the state world-wide and helps strengthen our visitor industry.

We also support the provision to repeal the daily \$10 tax on a transient accommodation furnished on a complimentary or gratuitous basis. Hawai’i hotels compete with vacation destinations worldwide, complimentary and budget-priced rooms are marketed for various reasons from promotions to reach travel writers and visitor industry marketers to providing affordable “stay-cations” for our kama’āina, and for local business travelers. Complimentary rooms are used by the hospitality industry to attract meeting planners to bring events to the state, to educate and encourage travel opportunities for book Hawai’i vacations for clients, and to give travel writers the opportunity to publish and produce stories about Hawai’i as a meeting and vacation destination. These rooms are also often used by the state to attract film crews to the islands.

We are concerned that the imposition of any new taxes and fees on the visitor industry would not result in the generation of more revenues for the state as intended and may have perverse consequences by causing a visitor to choose another less costly destination than Hawai’i, this bill is a step in the right direction to encourage marketing for our state.

For these reasons, we respectfully urge your support for this bill.

Sincerely,

Keith Vieira  
Senior Vice President of Operations  
Starwood Hotels and Resorts in Hawai’i and in French Polynesia

**From:** [Tina Thompson](#)  
**To:** [WAM Testimony](#)  
**Subject:** SB1194,SD1-Relating to Transient Accomodations Tax- OPPOSITION  
**Date:** Thursday, February 21, 2013 8:27:01 AM

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Senator David Y. Ige, Chair and  
Members of the Committee on Ways and Means

Hearing Date: February 22, 2013, Friday  
Time: 9:00 am  
Place: Conference Room 211, State Capitol

Agenda Item: SB1194, SD1 - Relating to Transient Accomodations Tax

Maui County Councilmember Stacy Crivello is in support of Maui County Council Chair Gladys Baisa's testimony she submitted in OPPOSITION of the measure.

Tina Thompson, Executive Assistant  
Council Member S. Stacy Crivello  
Maui County Council  
200 South High Street  
Wailuku, HI 96793  
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OFFICE OF THE MAYOR  
CITY AND COUNTY OF HONOLULU

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**LATE**



KIRK CALDWELL  
MAYOR

EMBER LEE SHINN  
MANAGING DIRECTOR DESIGNATE

GEORGETTE T. DEEMER  
DEPUTY MANAGING DIRECTOR

TESTIMONY OF KIRK CALDWELL, MAYOR  
CITY AND COUNTY OF HONOLULU  
BEFORE THE SENATE  
COMMITTEE ON WAYS AND MEANS  
Friday, February 22, 2013, 9:00 a.m., Conference Room 211

**SENATE Bill 1194 SD1, "RELATING TO TRANSIENT ACCOMMODATIONS TAX"**

**Position: Comment**

To: The Honorable David Y. Ige, Chair  
and Members of the Committee on Ways and Means

The City & County of Honolulu respectfully submits comments regarding Senate Bill 1194 SD1, "Relating to Transient Accommodations Tax", which proposes to eliminate the sunset date of the Transient Accommodations Tax rate of 9.25 %, and also eliminates the sunset date for the amounts to be distributed to the tourism special fund and the counties.

While we support the elimination of the sunset clause, we request that the counties' share remain at 44.8%, and not be reduced to 35.1%. We also request that the \$93 million dollar cap be removed.

Each fiscal year, the City & County of Honolulu relies on receiving its share of the TAT in order to sustain its basic City operations. For example, the City's FY13 Proposed Operating Budget projected \$41 million in TAT revenue from the state. Any decrease in this amount would adversely affect our ability to serve the public.

The issue here is fairness and equity. In FY 2012, the City & County of Honolulu generated \$257.2 million, or 79.4%, of the total \$323.9 million of TAT collected. With the cap imposed in FY 2012, Honolulu only received \$41 million in TAT revenues, which is about 12.7%. Furthermore, the City & County of Honolulu expends a significant amount of its resources to support our tourism industry. Services we provide include ocean safety, park maintenance, police protection, fire protection, bus services, and infrastructure repair and maintenance. The City also provides attractions and activities, such as the Honolulu Zoo, the Hanauma Bay Preservation Park, Royal Hawaiian Band performances, and our municipal golf courses. In FY 2012 the City spent approximately \$74.1 million on visitor industry services, yet only received \$41 million in TAT. The current \$93 million dollar cap, as well as the proposed decrease in the counties share, will prohibit the City & County of Honolulu from receiving a fair compensation for the services it provides.

Mahalo for the opportunity to testify on this bill. Should you have any questions or concerns, please feel free to contact me at 768-4141.

TESTIMONY BY KALBERT K. YOUNG  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE SENATE COMMITTEE ON WAYS AND MEANS  
ON  
SENATE BILL NO. 1194, S.D. 1

February 22, 2013

RELATING TO TRANSIENT ACCOMMODATIONS TAX

Senate Bill No. 1194, S.D. 1, eliminates the sunset on June 30, 2015 of the 9.25% tax rate for the Transient Accommodations Tax (TAT) and the cap on the amount of TAT revenues to be distributed to the respective counties. The bill also eliminates the temporary (from July 1, 2012 to June 30, 2015) \$71 million cap on TAT revenues that are deposited into the Tourism Special Fund (TSF) and the \$10 per day tax on transient accommodations that are furnished on a complimentary or gratuitous basis.

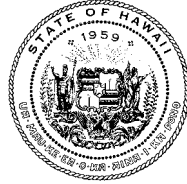
The Department of Budget and Finance has serious concerns regarding the removal of the \$71 million cap on TAT revenues that are deposited into the TSF. Continuation of the caps on the respective counties and the TSF is a key component of ensuring that the State's general fund financial plan remains balanced during the upcoming FB 2013-15 and future fiscal years. Enacted by Act 103, SLH 2011, the \$71 million TSF cap and the resulting general fund revenues are factored into the Administration's general fund financial plan and eliminating the cap will result in significant general fund losses for FB 2013-15. The Department is open to considering a revision to the amount of the cap of TAT revenues deposited into the TSF, but cannot support eliminating the cap within the next two fiscal years.

The financial plan anticipates that 2% of the current TAT activity equates to approximately \$95 million per year to the State general fund. While the current TAT rate is scheduled to be reduced by 2% starting in FY 2016, the current projections for State revenue in that year are also projected to be flat (based on Council on Revenues forecasts) largely due to the sunset of a number of current temporary revenue measures.



NEIL ABERCROMBIE  
GOVERNOR

SHAN TSUTSUI  
LT. GOVERNOR



**LATE**

FREDERICK D. PABLO  
DIRECTOR OF TAXATION

JOSHUA WISCH  
DEPUTY DIRECTOR

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

To: The Honorable David Y. Ige, Chair  
and Members of the Senate Committee on Ways and Means

Date: Friday, February 22, 2013  
Time: 9:00 A.M.  
Place: Conference Room 211, State Capitol

From: Frederick D. Pablo, Director  
Department of Taxation

Re: S.B. 1194, S.D. 1 Relating to Transient Accommodations Tax.

The Department supports the intent of S.B. 1194, S.D.1 and offers the following information and comments for your consideration.

First, the Department strongly supports making the current transient accommodations tax (TAT) rate of 9.25% permanent. Allowing the TAT rate to return to 7.25% would take needed funds from the general fund. It is the Department's understanding that making the current tax rate of 9.25% permanent is built into the state's six-year financial plan.

Second, changing the wording in section 237D-2, HRS, to state the rate simply and in one paragraph of the section will make it easier for taxpayers to understand the percentage of TAT imposed.

Third, the Department notes that the changes to section 237D-6.5(b)(2), decrease the amount of revenue allocated to the tourism special fund while removing the temporary \$71 million cap.

Fourth, the Department supports repealing the complimentary room tax of \$10 per day under section 237D-2(c) because it is difficult to administer and generates little revenue.

Thank you for the opportunity to provide testimony.

KIRK CALDWELL  
MAYOR



NELSON H. KOYANAGI, JR.  
ACTING DIRECTOR

GARY T. KUROKAWA  
DEPUTY DIRECTOR

**Testimony of  
NELSON H. KOYANAGI, JR.  
Acting Director of Budget and Fiscal Services  
City and County of Honolulu**

**Before the Senate Committee on  
WAYS AND MEANS**

**Friday, February 22, 2013  
9:00 a.m.**

**State Capitol, Senate Conference Room 211**

**In consideration of  
SENATE BILL 1194, SD1  
RELATING TO TRANSIENT ACCOMMODATIONS TAX**

The City and County of Honolulu (City) submits the following testimony in opposition to Senate Bill 1194. The bill decreases the counties' share of the Transient Accommodations Tax (TAT) from 44.8 percent to 35.1 percent and makes the \$93 million cap on the counties' share permanent. These changes further erode the City's revenue base and make it more difficult to fund City services that are heavily used by tourists.

The City incurs significant costs to provide services and facilities to tourists, and relies on TAT revenues to offset some of these costs. The City provides many services and facilities that tourists utilize every day, including police protection, rescue services at beaches and hiking trails, emergency medical services, parks, golf courses, and bus transportation. In addition, the City provides infrastructure including roads and sanitation that support the tourism industry on Oahu.

The decrease in the counties' share of TAT from 44.8 percent to 35.1 percent would result in a large decrease – from \$63 million to about \$50 million for FY 2012. However, with the cap of \$93 million on the counties' share of TAT, the City receives only \$41 million per year. The total cost of the support that the City provides to the tourist industry far exceeds the TAT revenue that the City currently receives. This

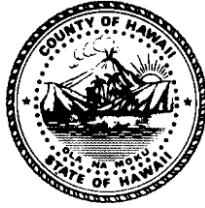
results in increased costs to City taxpayers. As costs increase due to inflation and other factors, the burden on City taxpayers will grow.

The City supports the tourism industry, however, the changes proposed by Senate Bill 1194 will make it increasingly difficult for the City to provide the level of services that tourists and residents currently receive. The City will face the difficult choice of raising taxes and fees or cutting services. For these reasons, the City opposes Senate Bill 1194.

Thank you for the opportunity to testify on Senate Bill 1194.

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

**LATE**



Telephone: (808)961-8272  
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## **HAWAI'I COUNTY COUNCIL**

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

**February 21, 2013**

**TESTIMONY OF J YOSHIMOTO, CHAIRMAN  
HAWAI'I COUNTY COUNCIL  
REGARDING SENATE BILL 1194 SD1  
CAPPING COUNTIES' SHARE OF THE TRANSIENT ACCOMODATION TAX ("TAT")  
Senate Committee on Ways and Means**

The Honorable David Y. Ige, Chair  
and Members of the Senate  
Committee on Ways and Means

Dear Senator Ige and Committee Members,

Thank you for the allowing me this opportunity to testify **IN STRONG OPPOSITION** to Senate Bill 1194 SD1.

As Chair of the Hawai'i County Council, I join the Hawai'i State Association of Counties, and the Hawai'i Council of Mayors in opposing any effort to make permanent the temporary cap on the counties' share of transient accommodation tax ("TAT") revenue. I further oppose any effort to reduce the counties' share of the TAT.

In the Aloha State, we welcome visitors from around the world to see the wonders of our islands. At the same time, we legislators, state, county and federal, must acknowledge the fiscal impact that tourism has on our dwindling county resources. Visitors to our islands use county beaches and parks. They drink county water, drive on county roads, and utilize and depend on county first responders.

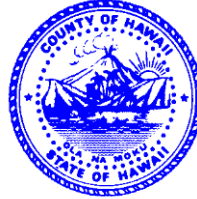
The 35.1 percent of the TAT that goes to the counties barely compensates for this impact, and the limited amount is maximized by all counties. Senate Bill 1194 SD1 is a step in the wrong direction. Capping and cutting the counties' share of the TAT would have a negative cascading effect on county budgets, creating critical shortfalls in the services mentioned above or tax increases on island residents, or both.

I humbly ask that your committee NOT APPROVE Senate Bill 1194 SD1. I will be happy to speak to anyone should you have questions.

Sincerely,

J Yoshimoto, Chair  
Hawai'i County Council

DENNIS "FRESH" ONISHI  
Council Member  
District 3



**LATE**

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## HAWAI'I COUNTY COUNCIL

25 Aupuni Street, Hilo, Hawai'i 96720

February 21, 2013

The Honorable David Y. Ige, Chair  
and Members of the Senate  
Committee on Ways and Means

Dear Senator Ige and Committee Members,

Thank you for the opportunity to testify in strong opposition to this bill.

In my capacity as vice president of the Hawai'i State Association of Counties, I join the Hawai'i Council of Mayors in opposing any effort to make permanent the temporary cap on the counties' share of transient accommodation tax revenue, and I oppose any effort to reduce the counties' share of the TAT.

Visitors to Hawai'i Island use county parks. They drink county water, drive on county roads, and call on county first responders. I welcome visitors from around the world to see the wonders of our island. At the same time, we must acknowledge the fiscal impact on our limited county resources.

The 35.1 percent of the TAT that goes to the counties compensates for this impact, but Senate Bill 1194 SD1 is a step in the wrong direction. Capping and cutting this tax would have a cascading effect on county budgets, creating either critical shortfalls in the services mentioned above or tax increases on island residents, or both.

The Hawai'i State Association of Counties opposes any effort to reduce the counties' share of the TAT.

I ask that your committee not recommend approval of this bill.

Sincerely,

Dennis "Fresh" Onishi  
Vice President, Hawai'i State Association of Counties  
Hawai'i County Council, District 3.