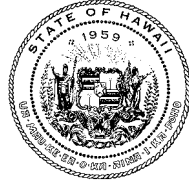


NEIL ABERCROMBIE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1530
FAX NO: (808) 587-1584

FREDERICK D. PABLO
DIRECTOR OF TAXATION

JOSHUA WISCH
DEPUTY DIRECTOR

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

Date: Wednesday, April 3, 2013
Time: 2:30 p.m.
Place: Conference Room 308, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: S.B. No. 1194, S.D. 2, Proposed H.D. 1 Relating to Transient Accommodations Tax

The Department of Taxation (Department) **has concerns** about S.B. 1194 S.D. 2, Proposed H.D. 1 and provides the following information and comments for your consideration.

This measure would reduce the transient accommodations tax (TAT) rate from the current rate of 9.25% to 7.25% percent. This measure also repeals the \$10 complimentary room tax under section 237D-2(c), Hawaii Revised Statutes.

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. As proposed in the H.D.1, reducing the current TAT rate from 9.25% to 7.25% will result in a general fund revenue loss of \$78.9 million in Fiscal Year 2014, and a loss of \$84.5 million in Fiscal Year 2015.

The Department notes an inconsistency between the H.D.1 description which states that it "reduces the effective transient accommodation tax rate of 9.25 per cent to 7.25 per cent on July 1, 2013" and the actual language of the bill which would reduce the rate to 7.25% "...for the period beginning on January 1, 1999, and thereafter..." As written, it would allow taxpayers to claim refunds for multiple prior tax years and possibly result in a significant revenue loss to the State.

The Department strongly supports repeal of the complimentary room tax because of the difficulty in administering the provision and the minimal amount of revenue generated for the State.

Thank you for the opportunity to provide comments.

Testimony to the House Committee on Finance
Wednesday, April 3, 2013
2:30 p.m.
Conference Room 308, State Capitol

LATE

Re: SB 1194 SD2 Proposed HD1 – Relating to Transient Accommodations Tax

Aloha Chair Luke, Vice Chairs Nishimoto and Johanson and Members of this Committee:

My name is Vivian Landrum, and I am the President/CEO of the Kona-Kohala Chamber of Commerce (KKCC). KKCC represents over 535 business members and is the leading business advocacy organization on the west side of Hawai'i Island. KKCC also actively works to enhance the environment, unique lifestyle and quality of life in West Hawai'i for both residents and visitors alike.

We support SB 1194 SD2 Proposed HD1 as it relates to the elimination of the \$10 fee for complimentary accommodations and retains the funding amounts to the Counties. We also ask that you consider lifting the cap on the County and HTA funding amounts.

We all agree tourism is our main economic driver and we wholeheartedly support its promotion. We also know there is an impact on our local resources that must be managed and maintained. Fire, police, beaches and parks, roads and infrastructure all contribute to the satisfaction rating of the visitor experience. If the funding to the Counties is reduced, this may impact the level of service provided. The Counties play an important role in visitor satisfaction. Reducing their funding can ultimately reduce that rating and impact future visitor arrival numbers.

We support SB 1194 SD2 Proposed HD1 and ask that you support it as well.

Mahalo for the opportunity to submit testimony.

Sincerely,



Vivian Landrum
President/CEO

FINTestimony

LATE

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, April 03, 2013 11:09 AM
To: FINTestimony
Cc: randy@kauaichamber.org
Subject: *Submitted testimony for SB1194 on Apr 3, 2013 14:30PM*

SB1194

Submitted on: 4/3/2013

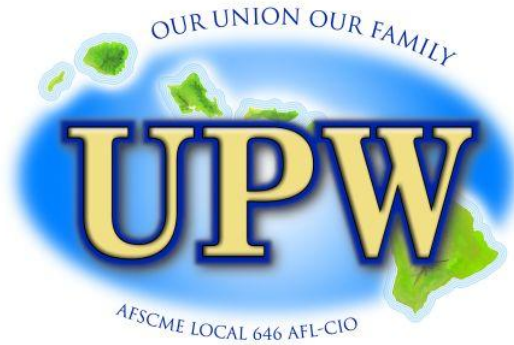
Testimony for FIN on Apr 3, 2013 14:30PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Randall Francisco	Kauai Chamber of Commerce	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.

Do not reply to this email. This inbox is not monitored. For assistance please email webmaster@capitol.hawaii.gov



LATE

THE HAWAII STATE HOUSE OF REPRESENTATIVES
The Twenty-Seventh Legislature
Regular Session of 2013

COMMITTEE ON FINANCE

The Honorable Rep. Sylvia Luke, Chair
The Honorable Rep. Scott Nishimoto, Vice Chair
The Honorable Rep. Aaron Ling Johanson, Vice Chair

DATE OF HEARING: Wednesday, April 3, 2013
TIME OF HEARING: 2:30 p.m.
PLACE OF HEARING: Conference Room 308

TESTIMONY ON SB1194 SD2 RELATING TO TRANSIENT ACCOMODATIONS TAX

By DAYTON M. NAKANELUA,
State Director of the United Public Workers,
AFSCME Local 646, AFL-CIO ("UPW")

My name is Dayton M. Nakanelua and I am the State Director of the United Public Workers, AFSCME, Local 646, AFL-CIO (UPW). The UPW is the exclusive representative for approximately 14,000 public employees, which include blue collar, non-supervisory employees in Bargaining Unit 1 and institutional, health and correctional employees in Bargaining Unit 10, in the State of Hawaii and various counties. The UPW also represents about 1,500 members of the private sector.

The UPW has serious concerns with the proposed draft of SB1194 SD2 which reduces the effective transient accommodations tax rate of 9.25 per cent to 7.25 per cent on July 1, 2013; eliminates the daily transient accommodations tax for complimentary accommodations; and retains the caps on transient accommodation tax revenue distributions to the convention center special fund, the tourism special fund, and the counties after 2015.

As tourism across the entire state increases, the cap on transient accommodations tax revenues distributed to the various counties is troubling. Counties are responsible for providing critical services that visitors and residents alike benefit from, and we are concerned that the cap does not reflect the growing tourist population's impact on county infrastructure.

Thank you for the opportunity to testify on this measure.

LATE

Twenty-Seventh Legislature
Regular Session of 2013

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
Wednesday, April 3, 2013; 2:30 p.m.

**STATEMENT OF THE ILWU LOCAL 142 ON S.B. 1194, SD2, PROPOSED HD1
RELATING TO TRANSIENT ACCOMMODATIONS TAX**

The ILWU Local 142 supports the intent of S.B. 1194, proposed HD1, which reduces the effective Transient Accommodations Tax rate of 9.75% to 7.25% on July 1, 2013, eliminates the daily TAT for complimentary accommodations, and retains the caps on TAT revenue distributions to the Convention Center Special Fund, the Tourism Special Fund, and the counties after 2015.

The TAT was intended to tax the hotel industry, which relies on State and County services to facilitate a safe and enjoyable experience for visitors to Hawaii. Roads, parks, and public safety (fire, police, emergency) personnel are paid for by government. Tourism promotion, which attracts visitors to Hawaii, is also paid for by government. The Transient Accommodations Tax is a means of generating revenue for government to provide these services.

The ILWU believes that the current 9.75% TAT is reasonable, especially considering the boom in business that the industry has been experiencing of late. The hotel industry appears to be solidly recovered from the recession and is enjoying high occupancy rates, which have prompted higher room rates. It would seem to make sense that in good times, the TAT should not be reduced because it is in bad times that the industry will want relief.

Furthermore, distributions from the TAT to the Counties, the Convention Center Special Fund, and the Tourism Special Fund should remain uncapped. As more visitors come to Hawaii, the Counties will be further taxed to provide services that rely on funding from the TAT. The Convention Center Special Fund and the Tourism Special Fund will also require consistent funding to do its work to support the industry.

While the ILWU supports retaining the current 9.75% TAT, we do not oppose the reduction but caution against capping distributions to the Counties and the two special funds. Thank you for the opportunity to share our views on this measure.



WAIKĪKĪ IMPROVEMENT ASSOCIATION

LATE

Statement of **Rick Egged, President, Waikiki Improvement Association**
Before the **House Committee on Finance**
Wednesday, April 3, 2013. 2:30pm, Room 308
in consideration of

RE: Support of proposed HD1 to SB 1194, SD2 Relating to the Transient Accommodations Tax

Good afternoon Chair Luke, Vice Chairs Nishimoto and Johanson, and members of the committee. I am Rick Egged testifying on behalf of the Waikīkī Improvement Association. WIA is a nonprofit organization representing 150 leading businesses and stakeholders in Waikiki.

The Waikīkī Improvement Association strongly support the proposed HD1 to SB 1194 SD2 which reduces the current transient accommodations tax rate of 9.25 per cent to 7.25 per cent on July 1, 2013, and eliminates the daily transient accommodations tax for complimentary accommodations. We would humbly ask that the committee consider eliminating the caps on the transient accommodations tax revenue applied to the convention center special fund, the tourism special fund and the counties after 2015.

2012 was a record setting year for the visitor industry and 2013 has started strong as well. That is the good news but it does not mean we can feel comfortable that we need do nothing more than stay the course. The strong demand over the last few years are due to several major factors. The first of which is of course a favorable exchange rate that has lowered the cost of a Hawai'i stay. The exchange rate has of late been moving in the wrong direction.

Second increased airlift and hopefully this will continue to improve. HTA deserves a lot of credit for leading our efforts to increase airlift. Having our own regional airline, Hawaiian Airlines, is another major element in that increase.

The third major factor is investment in our product. The revitalization of Waikīkī is a huge success story. From 2001 to 2012 over three billion dollars in private funds have redeveloped large portions of Waikīkī. Although the construction of major projects in Waikīkī continues there are still areas that remain in need of redevelopment. Over \$100 million dollar of City and State mostly City funds have gone into the parks, roads and sewers of Waikīkī. Continued reinvestment in Waikīkī is crucial to maintaining our competitiveness.

In addition to the structural improvements, Oahu has built a solid offering of cultural and sporting events spread throughout the year that bring millions to our state.

Another major factor is that the marketing efforts of the state with the leadership of the Hawaii Tourism Authority and the Hawai'i Visitors and Convention Bureau have been the best we have ever had.

But this success is fragile. If we don't continue to make advances, expand our marketing horizons, increase our research and improve our cultural and sports offerings we will inevitably slip. In the highly competitive business of tourism if we are not constantly improving our product and marketing Hawaii will lose ground.

The HTA budget should be allowed as originally intended to grow along with TAT collections. The additional funds can go to supporting increased lift, enhancing existing events, marketing those events and activities, more research on what works and does not work in both our product and marketing.

Although visitor arrivals and spending are at record levels, hotel bottom lines are still stressed. Costs particularly payroll and energy have continued to rise while hotel ADR's as of 2012 are still slightly below inflation adjusted historic levels.

While our industry recognized the State was facing serious budget problems in 2009 and that the TAT increase would address these issues, it was not going to be a permanent increase. Now that things have recently improved, and the forecast for 2013 looks very positive we **strongly support reverting back to our original 7.25%**. Hotel room rates are flexible; when demand is good they go up, when demand slacks they go down to attract more visitors. The high tax rate reduces our responsiveness to market demand.

Additionally the high tax rate and resulting loss in competitiveness will be a drag on future investment. The building and renovation is not only necessary to fuelling visitor demand but also to providing thousands of construction industry jobs and of course the resulting taxes.

Thank you for this opportunity to provide these comments on these important issues.

LATE

Testimony of
GREGG LUNDBERG
General Manager
The Westin Maui Resort & Spa
on
SB1194, Proposed HD1
Relating To Transient Accommodations Tax

COMMITTEE ON FINANCE
Wednesday, April 3, 2013, 2:30pm
Room 308

My name is Gregg Lundberg and I am the General Manager at The Westin Maui Resort & Spa with The Starwood Hotels & Resorts Worldwide, Inc. which is the most global high-end hotel company in the world. Our company has nine distinct lifestyle brands, an award-winning loyalty program and 171,000 talented associates worldwide.

The Westin Maui Resort & Spa strongly supports SB 1194 SD2 which reduces the current transient accommodations tax rate of 9.25 per cent to 7.25 per cent on July 1, 2013 and eliminate the daily transient accommodations tax for complimentary accommodations.



In 2009, the state government raised the TAT with a 1% increase effective July 1, 2009, and an additional 1%, 2010. Since the July 1, 2010, guests and locals have paid a TAT of 9.25%. Coupled with the GET, guests pay a 13.41% tax on Maui. Based on the annual average cost of a hotel room and the 13.41% tax rate, the average tax bill is \$32 per night.

The cost of doing business and the tax rates in Hawaii are increasingly making it more difficult to be competitive and for businesses to be profitable. Continuously increasing the TAT fees will only diminish Maui's ability to compete in a price-sensitive resort destination market. This could cause us to lose momentum in the significant gains in visitor arrivals and spending experienced over the past three years. We need to ensure the continued success of our industry for the state's economy to be sustainable.

We urge you to support SB1194, HD1.

Thank you for the opportunity to testify.

A handwritten signature in black ink, appearing to read "Gregg Lundberg".

Gregg Lundberg
General Manager
The Westin Maui Resort & Spa





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

COMMITTEE ON FINANCE
Representative Sylvia Luke, Chair

4/3/13
Rm. 308, 2:30 PM

SB 1194, SD 2, Proposed HD 1
Relating to Transient Accommodations Tax (TAT)

Chair Luke and Members of this Committee, my name is Max Sword, here on behalf of Outrigger Hotels Hawaii in support the proposed HD 1 to SB 1194, SD 2.

The reduction in the TAT to 7.25% will allow the hotel industry to be more competitive in the world market, thus maintaining the momentum we have now. Also, when not if, the economy takes another downturn, I am sure that the industry will contribute again by revisiting an increase to the TAT to assist the State as we did in 2009.

On the \$10 tax on complimentary rooms, it has been a challenge over the last couple of years deciding how to apply the tax, or to whom the tax applies. The tax has had the most negative impact on the non-profits, such as the American Cancer Society, McDonald House and March of Dimes, to name a few to which we donate a large number of rooms. For the most part, the non-profits have absorbed the \$10 fee themselves, instead of having the receiver of the certificate pay for it.

As for the cap on the tourism special fund and the amounts to the counties, we have concerns since it may have an adverse effect on the marketing of Hawaii and an increase of property taxes by the counties.

We urge your favorable disposition of this bill and thank you for allowing me to testify.

Chris Tatum
Vice President
Market General Manager

**TESTIMONY OF CHRISTOPHER TATUM
VICE PRESIDENT
MARRIOTT HAWAII
House Committee on Finance
Chair Sylvia Luke, Vice Chair Scott Nishimoto, Vice Chair Aaron Ling Johanson**

Wednesday, April 3, 2013. 2:30pm, Room 308

RE: Support of SB 1194, SD2 Relating to the Transient Accommodations Tax

Good afternoon Chair Luke, Vice Chairs Nishimoto and Ling Johanson, and members of the committee. I am Chris Tatum, Vice President of Marriott Resorts Hawaii.

Marriott Hawaii operates 7 resorts on 4 islands including Marriott, JW Marriott, Courtyard, and Ritz Carlton brands. We employ over 3000 associates throughout the state.

Marriott Hawaii supports SB 1194 SD2 which reduces the current transient accommodations tax rate of 9.25 per cent to 7.25 per cent on July 1, 2013, and eliminates the daily transient accommodations tax for complimentary accommodations. We would ask that the committee consider eliminating the caps on the transient accommodations tax revenue applied to the convention center special fund, the tourism special fund and the counties after 2015.

Other U.S. major destinations also have high room tax rates, however many of the travelers to those locations are driven by business requirements. On the contrary, most of our guests have "selected" Hawaii as their vacation destination and are personally responsible for their expenses.

Let's continue the momentum that we have experienced over the last 18 months, by working together to improve our product and promote this special destination. We need to continually improve our perception in the worldwide market and avoid the historical cycles that negatively impact our business and associates.

Thank you for the opportunity to testify in support of S.B. 1194 SD2

LATE TESTIMONY



Best Western
Pioneer Inn

658 Wharf Street
Lahaina, Maui, Hawaii 96761
Phone (808) 661-3836
Fax (808) 667-5708

P.O. Box 50707
Dallas, Texas 75250
Phone (214) 953-5948
Fax (214) 953-5822

April 2, 2013

RE: Bill 1194 Transient Accommodation Tax

Ladies and Gentlemen:

I would like to submit testimony in support of the reduction of Transient Accommodation Tax back to the level of 7.25% and the repeal of the flat \$ 10.00 tax on complimentary room nights.

As a small hotel operating in Maui, these two actions would go a long way to support our business and help our employees by making us more competitive with other tourist destinations. Our customer is very price sensitive and a 2% reduction in tax could impact their decision to travel to Maui and stay at our hotel. I would hope that the increase in visitors at the lower tax rate would more than offset the tax reduction and provide higher revenues to our state as a whole.

With regard to the flat tax on complimentary rooms, in our case most of our complimentary rooms are given to individuals that work for local charities or as a gift certificate for their fund raising events. The flat additional tax is a deterrent to make these available to our non-profits.

Thank you for considering our comments.

A handwritten signature in cursive script that reads "Rebecca K. Lennon".

Rebecca K. Lennon
Controller
Best Western Pioneer Inn
Lahaina, Maui
(808) 264-2597



HAWAII LODGING & TOURISM

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**TESTIMONY OF JULIE ARIGO
GENERAL MANAGER AT WAIKIKI PARC HOTEL
CHAIRPERSON-ELECT OF HAWAII LODGING & TOURISM ASSOCIATION**

**House Committee on Finance
Chair Sylvia Luke, Vice Chair Scott Nishimoto, Vice Chair Aaron Ling Johanson**

Wednesday, April 3, 2013. 2:30pm, Room 308

RE: Support of proposed HD1 to SB 1194, SD2 Relating to the Transient Accommodations Tax

Good afternoon Chair Luke, Vice Chairs Nishimoto and Johanson, and members of the committee. I am Julie Arigo, General Manager of Waikiki Parc Hotel and The Hawaii Lodging & Tourism Association Chairperson-elect.

Waikiki Parc Hotel is a 297 room property of Hotels and Resorts of Halekulani. Waikiki Parc Hotel is in active lodging member of The Hawaii Lodging & Tourism Association. The Hawaii Lodging & Tourism Association is a statewide association of hotels, condominiums, timeshare companies, management firms, suppliers, and other related firms and individuals. Our membership includes over 150 lodging properties representing over 48,000 rooms. Our lodging members range from the 3,499 rooms of the Hilton Hawaiian Village Waikiki Beach Resort to the 4 rooms of the Bougainvillea Bed & Breakfast on the Big Island.

The Hawaii Lodging & Tourism Association strongly support the proposed HD1 to SB 1194 SD2 which reduces the current transient accommodations tax rate of 9.25 per cent to 7.25 per cent on July 1, 2013, and eliminates the daily transient accommodations tax for complimentary accommodations. We would humbly ask that the committee consider eliminating the caps on the transient accommodations tax revenue applied to the convention center special fund, the tourism special fund and the counties after 2015. While our industry recognized the State was facing serious budget problems in 2009 and that the TAT would address these issues, it was not going to be a permanent increase. Now that things have recently improved, and the forecast for 2013 looks very positive we believe a "deal is a deal" and we strongly support reverting back to our original 7.25%. Furthermore, in resort destination similar to Hawaii, our competitor's tax rates are usually lower. All of these destinations also have lower room rates due to lower cost of doing business thus leading to even lower tax bills for the customer. The cost of doing business and the cost of taxes are increasingly making us less competitive in a highly competitive and fragile industry!

Competing destinations like New York City, Washington DC, San Francisco, Chicago and Seattle also have high room tax rates and most travelers are not paying the hotel bill themselves while staying in these destinations, but rather charging these expenses to their business. On the contrary, Hawaii visitors have "selected" Hawaii as their vacation destination and are personally responsible for what is incurred on their hotel bill. In selecting Hawaii as their next vacation, they know they have high airfare, hotel and accommodations expenses, ground transportation cost, high food and beverage costs, as well as miscellaneous expenses that all come out of their pockets. Reducing taxes can only help make Hawaii vacations more affordable and more competitive.

Let's continue to have government, the private sector, the community, HTA, HVCB all work as one to keep Hawaii's visitor industry vibrant, modern, affordable and ahead of worldwide competition.

Thank you for the opportunity to testify in support of HD1 to S.B. 1194 SD2

LATE

SB1194

Submitted on: 4/3/2013

Testimony for FIN on Apr 3, 2013 14:30PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Nelson Okumura	VIP Foodservice	Support	No

Comments: We now support the amended bill which reduces the TAT from 9.25% to 7.25%. We support the repeal and elimination of the daily \$10 TAT on complimentary rooms. We ask the committee to consider lifting the cap on the HTA and the Counties.

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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