SB 1194

Measure Title:	RELATING TO TRANSIENT ACCOMMODATIONS TAX.
Report Title:	Transient Accommodations Tax
Description:	Eliminates the sunset of the Transient Accommodations Tax rate of 9.25 per cent, and also eliminates the sunset date for the amounts to be distributed to the tourism special fund and the counties.
Companion:	HB963
Package:	Gov
Current Referral:	THA, WAM
Introducer(s):	KIM (Introduced by request of another party)

Sort by Date		Status Text
1/24/2013	S	Introduced.
1/24/2013	S	Passed First Reading.
1/24/2013	S	Referred to THA, WAM.
1/30/2013	S	The committee(s) on THA has scheduled a public hearing on 02-04-13 3:00PM in conference room 224.

NEIL ABERCROMBIE
GOVERNOR

SHANTSUTSUI
LT. GOVERNOR

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 Brickwood Galuteria, Chair
and Members of the Senate Committee on Tourism and Hawaiian Affairs

Date: Monday, February4, 2013
Time: 3:00 P.M.
Place: Conference Room 224, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

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

The Department of Taxation (Department) supports S.B. 1194 and offers the following information and comments for your consideration.

S.B. 1194 makes the current transient accommodations tax (TAT) rate of 9.25% and the current allocations of revenues under Chapter 237D of the Hawaii Revised Statutes (HRS) permanent. The measure also repeals the complimentary room tax of $10 per day.

Allowing the transient accommodations tax rate to return to 7.25% would take needed funds from the general fund. While we defer to the Department of Budget and Finance on this point, it is our understanding that making the current tax rate of 9.25% permanent is built into the state's six-year financial plan.

Changing the wording in section 237D-2, HRS, to state the rate simply will make it easier for taxpayers to understand, and the complimentary changes to section 237D-6.5, HRS, ensure that the way revenue is remitted under TAT law does not substantially change. The Department supports repealing the complimentary room tax because it is difficult to administer and generates little revenue.

Thank you for the opportunity to provide testimony.

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON TOURISM AND HAWAIIAN AFFAIRS
ON
SENATE BILL NO. 1194

February 4, 2013

RELATING TO TRANSIENT ACCOMMODATIONS TAX

Senate Bill No. 1194 eliminates the sunset on June 30, 2015 of: the 9.25% tax rate for the Transient Accommodations Tax (TAT), and the caps on the amount of TAT revenues to be distributed to the Tourism Special Fund and the respective counties.

The Department of Budget and Finance strongly supports this Administration measure because it is a key component of ensuring that the State's general fund financial plan remains balanced beyond FB 2013-15.

The financial plan anticipates that 2% of the current TAT activity equates to approximately $95 million per year to the general fund of the State of Hawaii. While the current TAT amount 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. This measure will not have a revenue impact for the State for the next biennium to start July 1, 2013, but could be a necessary revenue contributor for future bienniums.

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 hawaiitourismauthority.org

Testimony of
Mike McCartney
President and Chief Executive Officer
Hawai‘i Tourism Authority
on
S.B. 1194
Relating to Transient Accommodations Tax
Senate Committee on Tourism and Hawaiian Affairs
Monday, February 4, 2013
3:00 p.m.
Conference Room 224

The Hawai‘i Tourism Authority (HTA) supports S.B. 1194, with amendments. S.B. 1194 proposes to make the 9.25 per cent transient accommodations tax rate permanent and also make permanent the limits on deposits into the Tourism Special Fund and the amounts transferred to the counties.

An increase to the TAT would negatively affect Hawai‘i's competitive position in the marketplace by putting an additional tax on our visitors. 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.

Unlike other destinations with higher hotel room taxes, which host more business travelers, Hawaii is a leisure destination, where the visitor's spending is discretionary and not expensed as by a business traveler. As such, our visitor market is price-sensitive, and any increase could drive a traveler to a competing destination. Our market is affected by the price of accommodations, the price of fuel, the long travel time to reach our destination, or, in the case of Japan, the devaluing of the yen.

Currently, the visitor industry supports more than 166,000 jobs and we anticipate this number to grow this year. However, we are still well below the peak of more than 178,000 jobs in 2005, and the TAT increase could cause a loss of jobs in the tourism sector.

While we can cautiously support a 9.25 per cent TAT rate, the bill must be amended to remove the limit on the deposits into the Tourism Special Fund. The removal of the limit will enable the HTA to invest in the following market development and experiential activities. This investment will result in increasing the existing $1.553 billion in state tax revenue.

- Market Development: Support air access by cultivating new carriers and routes; support existing direct service and work for development of other origination points in all major market areas; increase visitor distribution to the neighbor islands; and stimulate the meetings, conventions and incentives business with a focus on high potential vertical markets.
- Experiential Development: Establish the Hawaiian Music and Dance Museum at the Hawaiʻi Convention Center; establish multiple LPGA events on multiple neighbor islands; improve the arrival and departure experience for cruise by aiding in improvements at harbors; support career development; increase Hawaiian Culture activities and initiatives throughout all programs; and expand upon existing HTA programs, events and festivals to further diversify the experiential assets of our people, place and culture.

We request that SECTION 2 of the bill be amended to have paragraph (b)(2) read as follows:

"(2) [~~34.2~~] 23.5 per cent of the revenues collected under this chapter shall be deposited into the tourism special fund established under section 201B-11 for tourism promotion and visitor industry research; **[~~provided that for any period beginning on July 1, 2012, and ending on June 30, 2015, no more than $71,000,000 per fiscal year shall be deposited into the tourism special fund established under section 201B-11;~~]** provided [~~further~~] that beginning on July 1, 2012, and ending on June 30, 2015, $2,000,000 shall be expended from the tourism special fund for development and implementation of initiatives to take advantage of expanded visa programs and increased travel opportunities for international visitors to Hawaii; and provided further that beginning on July 1, 2002, of the first $1,000,000 in revenues deposited:

(A) Ninety per cent shall be deposited into the state parks special fund established in section 184-3.4; and

(B) Ten per cent shall be deposited into the special land and development fund established in section 171-19 for the Hawaii statewide trail and access program;

provided that of the [~~34.2~~] 23.5 per cent, 0.5 per cent shall be transferred to a sub-account in the tourism special fund to provide funding for a safety and security budget, in accordance with the Hawaii tourism strategic plan 2005-2015; provided further that of the revenues remaining in the tourism special fund after revenues have been deposited as provided in this paragraph and except for any sum authorized by the legislature for expenditure from revenues subject to this paragraph, beginning July 1, 2007, funds shall be deposited into the tourism emergency trust fund, established in section 201B-10, in a manner sufficient to maintain a fund balance of $5,000,000 in the tourism emergency trust fun; and"

Mahalo for the opportunity to offer these comments and for your consideration to adjust the $71 million cap to 23.5% of TAT collected. The result is intended to provide increased tax revenue to the state.

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

February 1, 2013

TO: The Honorable Brickwood Galuteria, Chair
Senate Committee on Tourism and Hawaiian Affairs

FROM: Gladys C. Baisa
Council Chair

SUBJECT: **HEARING OF FEBRUARY 4, 2013; TESTIMONY IN OPPOSITION TO SB 1194, 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, and also to eliminate the sunset date for the amounts to be distributed to the tourism special fund and the counties.

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 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 the 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 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 oppose this measure.

ocs:proj:legis:13legis:13testimony: sb1194_paf13-034a_mmy

William P. Kenoi
Mayor

Walter K.M. Lau
Managing Director

Randall M. Kurohara
Deputy Managing Director

County of Hawaiʻi
Office of the Mayor

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

February 4, 2013

The Honorable Brickwood Galuteria, Chair,
And Members of the Senate Committee on
Tourism and Hawaiian Affairs
Hawaiʻi State Capitol, Room 224
415 South Beretania Street
Honolulu, Hawaiʻi 96813

Aloha, Chair Galuteria 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.

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,

William P. Kenoi
MAYOR

HAWAII COUNCIL OF MAYORS

February 4, 2013

The Honorable Brickwood Galuteria, Chair
and Members of the Senate Committee
on Tourism and Hawaiian Affairs
Hawaiʻi State Capitol
415 South Beretania Street, Room 224
Honolulu, Hawaiʻi 96813

RE: Senate Bill 1194, RELATING TO TRANSIENT ACCOMODATIONS TAX

Aloha, Chair Galuteria and Committee Members:

The Hawaiʻi Council of Mayors, which includes the mayors of Hawaiʻi, Honolulu, Kauaʻi 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 Hawaiʻi 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, 9th Floor
Wailuku, Hawaii 96793

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, 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, water, 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 to visitors, 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 Hawaiʻi

Kirk Caldwell, Mayor
City and County of Honolulu

Bernard Carvalho, Jr., Mayor
County of Kauaʻi

Alan Arakawa, Mayor
County of Maui

Testimony to the Tourism & Hawaiian Affairs Committee
State Capitol, Conference Room 224 at 3:00pm
February 4, 2013

RE: OPPOSE SB1194 RELATING TO TRANSIENT ACCOMMODATIONS TAX

Dear Chair Galuteria, Vice Chair Keith-Agaran, and Committee Members:

Aloha, my name is Pamela Tumpap and I am the President of the Maui Chamber of Commerce. I am writing on behalf of our organization to Oppose SB1194 to eliminate the sunset of the Transient Accommodations Tax rate of 9.25% and eliminate the sunset date for the amounts to be distributed to the tourism special fund and the counties.

Raising the TAT was passed as a temporary measure that would sunset. Therefore, we oppose eliminating the sunset. Our state should have planned for the sunset and prepared to live within the reduced amount, not continually grown to fund more than we can afford. Now, the original promise should be kept.

More and more states across the nation and regions across the globe are seeking to expand their visitor industry, creating incentives rather than disincentives to attract more visitors. These areas are eager to take market share away from Hawaii and we need to keep costs reasonable to stay ahead of the competition. It is time we reset the TAT to where it was and help our number 1 industry whose trickle-down effect benefits us all.

Therefore, we ask that you oppose SB1194.

Sincerely,

Pamela Tumpap

Pamela Tumpap
President

270 Hookahi Street ♦ Suite 212 ♦ Wailuku ♦ Hawaii ♦ 96793♦ *t* 808.244.0081♦ *f* 808.244-0083 ♦ MauiChamber.com

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THE SENATE
27th LEGISLATURE
REGULAR SESSION of 2013

COMMITTEE ON TOURISM & HAWAIIAN CULTURE
Senator Brickwood Galuteria, Chair

2/4/2013
Rm 224, 3:00 PM

SB SB 1194 & 1202
Relating to TRANSIENT ACCOMODATIONS TAX

Chair Galuteria and Members of this Committee, my name is Max Sword, here on behalf of Outrigger Hotels Hawaii in opposition to both bills, which eliminates the sunset date on the 2% TAT increased in 2009. SB 1202 has the added zinger of increasing the TAT by 1%.

Why would we oppose the State retaining the 2% increase, and increasing the TAT by 1%, when the news media continues to paint such a rosey tourism picture of record tourist numbers and rising room rates?

In 2008 thru 2010, the room rates dropped 20, 30 and in some quarters 50%, which means that our Revenue Per Available Room (RevPAR) shrunk. While the room rates were going down, did the cost of everything else go down, the answer is no. Our utility kept going up, our payroll cost kept going up, our health and welfare cost kept going up.

In other words we were carrying the cost of the increase in the TAT.

Currently, has the increase in room rates caught up with the operating cost, the answer is no quite. We ran some numbers at Outrigger, which are on an attached sheet, and it shows our point of the increase in our operating cost.

As a side note, some of the reason we are getting great tourism numbers is that the US dollar really sticks against the Japanese yen, the Australian and Canadian dollar. Lets not forget the drug cartel problems that our biggest competitor in the Western US, Mexico is having. If all these issues reverse themselves, we will be in trouble with our high rates.

All we are asking is that we, the hotel industry be given a breather and allow the 2% increase to sunset.

Mahalo for allowing me to testify.

2375 Kuhio Avenue, Honolulu, Hawaii 96815-2992 • Phone: 808-921-6600 • Fax: 808-921-6655

HAWAI'I LODGING & TOURISM ASSOCIATION
2270 Kalakaua Ave., Suite 1506
Honolulu, HI 96815
Phone: (808) 923-0407
Fax: (808) 924-3843
E-Mail: hhla@hawaiihotels.org
Website: www.hawaiihotels.org

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TESTIMONY OF GEORGE SZIGETI
PRESIDENT & CEO
HAWAI`I LODGING & TOURISM ASSOCIATION

February 4, 2013

RE: SB 1194 Relating to the Transient Accommodations Tax

Good afternoon Chairperson Galuteria and members of the Senate Committee on Tourism & Hawaiian Affairs. I am George Szigeti, President & CEO of the Hawai`i Lodging & Tourism Association.

The Hawai`i 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 we oppose the elimination of the sunset of the 2% Transient Accommodation Tax increase. While we recognized that the State was facing serious budget problems in 2009 and that increase of the TAT would address these issues, it was not going to be a permanent increase. Although Hawaii has seen an increase in visitor counts and spending, we are also facing other factors that affect the cost of visiting Hawaii. This includes increase in government fees and permits, utilities, fuel and more. Although hotel room rates have risen slightly, they are not at the rates we saw in 2007. We have to be sure we continue to keep Hawaii a strong destination.

Competing destinations like New York City, Washington D.C., 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 it to their business. On the contrary, Hawaii's visitors are on vacation and are personally responsible for that what is incurred on their hotel bill. Furthermore, in resort destinations 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.

We need to continue to be able to have a strong marketing capability to remain competitive. Destinations like Mexico, the Caribbean and Puerto Rico offer the same sun, sand and surf for less. We have seen that strong marketing of our islands also helped us survive a tourism downturn when Japan was hit by the tsunami a few years ago. Through the strong marketing efforts of the HTA and Hawaii Visitors & Convention Bureau (HVCB), visitors from other markets made up the downturn from Japan.

The visitor industry continues to be the strong economic engine for the state of Hawaii. We have to ensure that it remains strong and healthy. I appreciate this opportunity to testify.

The Chamber of Commerce of Hawaii
The Voice of Business in Hawaii

Testimony to the Senate Committee on Tourism and Hawaiian Affairs
Monday, February 4, 2013 at 3:00 P.M.
Conference Room 224, State Capitol

RE: SENATE BILL 1194 RELATING TO TRANSIENT ACCOMMODATIONS TAX

Chair Galuteria, Vice Chair Keith-Agaran, and Members of the Committee:

The Chamber of Commerce of Hawaii ("The Chamber") **opposes** SB 1194 Relating to Transient Accommodations Tax.

The Chamber is the largest business organization in Hawaii, representing more than 1,100 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of its members, which employ more than 200,000 individuals, to improve the state's economic climate and to foster positive action on issues of common concern.

The Chamber opposes making permanent the tax increase on transient accommodations. We understand that the temporary increase was necessary to address the budget shortfall during the recession, but we do not believe it should be made permanent.

We also oppose the reduction of funds going into the tourism special fund. Funding for visitor marketing and promotions is critical to both the visitor industry, and Hawaii's overall economy.

We also have some concerns that the reduction to the counties is being made permanent in this bill. This may lead counties to look for other revenue sources that may impact business.

Thank you for this opportunity to express our views.

1132 Bishop Street, Suite 402 ◆Honolulu, Hawaii 96813 ◆ (808) 545-4369

SB1194
Submitted on: 2/4/2013
Testimony for THA on Feb 4, 2013 15:00PM in Conference Room 224

Submitted By	Organization	Testifier Position	Present at Hearing
Nelson T. Okumura	VIP Foodservice	Oppose	No

Comments: Raising of the TAT was intended to be temporary and this bill seeks to make it permanent.

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.

L E G I S L A T I V E

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; HB 963 (Identical)

INTRODUCED BY: SB by Kim by request; HB by Souki by request

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) 26.8% 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.

EFFECTIVE DATE: July 1, 2013

STAFF COMMENTS: This is 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. While this measure makes the 9.25% rate permanent and alters the disposition of TAT revenues, it appears that the amount of revenues deposited into the general fund upon the enactment of this measure is a significant increase.

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 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 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.

Digested 2/1/13