

# SB 1202

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 raises the rate to 11.25 per cent beginning July 1, 2013, and also eliminates the sunset date for the amounts to be distributed to the tourism special fund and the counties.

Companion: [HB971](#)

Package: Gov

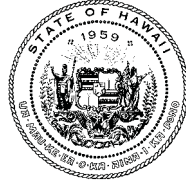
Current Referral: THA, WAM

Introducer(s): KIM (Introduced by request of another party)

<a href="#">Sort by Date</a>		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

SHAN TSUTSUI  
LT. GOVERNOR



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

FREDERICK D. PABLO  
DIRECTOR OF TAXATION

JOSHUA WISCH  
DEPUTY DIRECTOR

To: The Honorable Brickwood Galuteria, Chair  
and Members of the Senate Committee on Tourism and Hawaiian Affairs

Date: Monday, February 4, 2013  
Time: 3:00 P.M.  
Place: Conference Room 224, State Capitol

From: Frederick D. Pablo, Director  
Department of Taxation

Re: S.B. 1202, Relating to Transient Accommodations Tax.

The Department supports S.B. 1202 and offers the following information and comments for your consideration.

S.B. 1202 raises the transient accommodations tax (TAT) rate from 9.25% to 11.25% and makes the rate permanent. This measure also makes the current allocations of TAT revenues under Chapter 237D, Hawaii Revised Statutes (HRS) permanent, and repeals the complimentary room tax of \$10 per day.

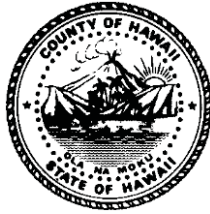
Allowing the rate to return to 7.25% would take needed funds from the general fund. While we defer to the Department of Budget and Finance on this point, it is our understanding that making the current tax rate of 9.25% permanent is built into the state's six-year financial plan.

Hawaii has a lower hotel tax rate than many locations in the nation. While we again defer to the Department of Budget and Finance on this point, and for discussion purposes, raising the rate either one point to 10.25%, or two points to 11.25%, will allow for more stabilization in the state's financial plan, as well as address issues such as establishing the necessary fiscal reserves for the state and the state's unfunded liabilities.

Changing the wording in section 237D-2, HRS, to state the rate simply will make it easier for taxpayers to understand, and the complementary changes to section 237D-6.5, HRS, ensure that the way revenue is remitted under TAT law does not 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.

**William P. Kenoi**  
*Mayor*



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

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

## County of Hawai'i Office of the Mayor

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

February 4, 2013

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

Re: Senate Bill 1202, RELATING TO THE TRANSIENT ACCOMODATIONS TAX

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.

The Honorable Brickwood Galuteria

Page 2

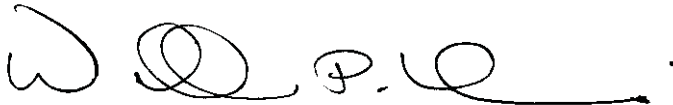
February 4, 2013

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

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

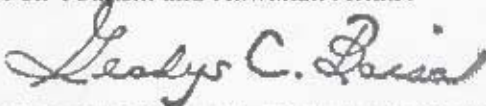


Director of Council Services  
David M. Raatz, Jr., Esq.

**COUNTY COUNCIL**  
COUNTY OF MAUI  
200 S. HIGH STREET  
WAILUKU, MAUI, HAWAII 96793  
[www.maui-county.gov/council](http://www.maui-county.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 SB 1202,  
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 raises the rate to 11.25 per cent beginning July 1, 2013, and also eliminates 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. Increasing the TAT Rate from 9.25 per cent to 11.25 per cent may result in negative consequences on our tourism market. Although tourism has been increasing, Hawaii's economic recovery remains fragile and the tourism market is still volatile.
2. Reducing the amount of TAT distributed to the counties would create an unfair imbalance as costs associated with an increase in visitor counts 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 costs for infrastructure and public safety 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.



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

**Neil Abercrombie**  
*Governor*

**Mike McCartney**  
*President and Chief Executive Officer*

Testimony of  
Mike McCartney  
President and Chief Executive Officer  
Hawai'i Tourism Authority  
on  
**S.B. 1202**  
**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) opposes S.B. 1202, which proposes to increase the transient accommodations tax (TAT) rate to 11.25 per cent and also make permanent the limits on deposits into the Tourism Special Fund and the amounts transferred to the counties.

At 9.25 percent, TAT revenues this year are estimated to generate \$350 million. Of that amount, \$153 million will be deposited into the general fund. Further, the Report of the 2005-2007 Tax Review Commission cited a study contracted by the Commission, that 38 percent of the general excise tax is attributed to nonresidents. Based on this information, the visitor industry is already bearing a sizeable portion of Hawaii's tax revenue-generating burden.

Putting an additional tax on our visitors will diminish Hawaii's ability to compete in a price-sensitive market. Hawai'i is a leisure destination, where the visitor's spending is discretionary. As such, any increase could drive a traveler to a competing destination. It 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.

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.

Instead of increasing the TAT, we believe that by investing in opportunities to maintain market share and diversify our tourism profile in the leisure and meetings, conventions and incentive (MCI) markets, enhancing access and neighbor island distribution, and

building on the experiential assets of our people, place and culture, we can generate greater revenue that will benefit the entire state.

For these reasons we oppose S.B. 1202, and request that it be held.

Mahalo for the opportunity to offer these comments.



**OUTRIGGER®**  
**ENTERPRISES GROUP**

*Hospitality • Retail • Development*

**THE SENATE**  
**27<sup>th</sup> 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.





**HAWAII LODGING & TOURISM**

**ASSOCIATION**

2270 Kalakaua Ave., Suite 1506  
Honolulu, HI 96815  
Phone: (808) 923-0407  
Fax: (808) 924-3843  
E-Mail: [hhla@hawaiihotels.org](mailto:hhla@hawaiihotels.org)  
Website: [www.hawaiihotels.org](http://www.hawaiihotels.org)



**A Tradition of Kokua for 35 Years  
Are You Walking???**  
[www.charitywalkhawaii.org](http://www.charitywalkhawaii.org)

**TESTIMONY OF GEORGE SZIGETI  
PRESIDENT & CEO  
HAWAII LODGING & TOURISM ASSOCIATION**

**February 4, 2013**

**RE: SB 1202 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 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 opposes SB 1202 Relating to the Transient Accommodation Tax. We oppose the elimination of the sunset of the 2% Transient Accommodation Tax as well as the additional 2% TAT 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.

starwood

Hotels and  
Resorts

2155 kalakaua avenue, suite 300  
honolulu, hi 96815  
united states

February 04, 2013

To: Honorable Brickwood Galuteria, Chair  
Honorable Gilbert Keith-Agaran, Vice Chair  
Senate Committee on Tourism and Hawaiian Affairs  
State Capitol, Honolulu, Hawaii 96813

RE: SB1202, Relating to the Transient Accommodations Tax - **Oppose**  
Conference Room 224, 3 pm

Aloha Chair Galuteria, Vice Chair Keith-Agaran, 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 testimony in opposition to SB1202, Relating to the Transient Accommodations Tax (“TAT”).

Starwood opposes provision in this bill to raise the TAT rate to 11.25 % beginning July 1, 2013. However, we do support keeping the current rate at 9.25% so long as increased revenues are also appropriated to support the work of the Hawaii Tourism Authority, which markets the state world-wide and helps strengthen our visitor industry.

There is not good reason to raise the TAT as state is not facing budget deficits as it was in 2009 when the tax was last raised. Our economy is just starting to rebound from years of decline and stagnation since the Great Recession.

Further, we are concerned that an 11.25% rate increase to the TAT will send a negative message to visitors of our state. The imposition of increased taxes and fees on the visitor industry may 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, which competes with other destinations world-wide. Let’s not reverse the positive momentum our state is enjoying by passing unnecessary fee and tax increases to our visitor industry.

For these reasons, we respectfully urge the Committee to reject this bill.

Sincerely,

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



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

**RE: OPPOSE SB1202 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 SB1202 to eliminate the sunset of the Transient Accommodations Tax rate of 9.25% and raise the rate to 11.25% beginning July 1, 2013, 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.

However, this bill goes far beyond that by now wanting to further increase the TAT to 11.25%. This is unreasonable and will hurt Hawaii's number 1 industry, the visitor industry, at a time when the industry and all who benefit from it are still trying to recover. 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 keep costs reasonable to stay ahead of the competition. Any measure that would increase costs for the industry and visitors and detract for this economic engine should be rejected.

Further, the bill does not adequately weigh the impacts on the visitor industry, all related businesses, and Hawaii's economic recovery. Therefore, it should die now.

We need economic recovery, not harm. We ask that you oppose SB1202.

Sincerely,

Pamela Tumpap  
President

**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 1202 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 1202 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. Furthermore, we also oppose the increase in the transient accommodations tax. We believe that this could jeopardize the long term health of the tourism industry.

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.

**SB1202**

Submitted on: 2/4/2013

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

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

Comments: Raising of the the TAT was intended to be temporary and this bill seeks to make it permanent. Increasing the TAT will have a negative impact on tourism in Hawaii.

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](mailto:webmaster@capitol.hawaii.gov)

# TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

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

**BILL NUMBER:** SB 1202; HB 971 (Identical)

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

**BRIEF SUMMARY:** Amends HRS section 237D-2 to provide that the transient accommodation tax (TAT) rate of 9.25% shall be effective until June 30, 2013. On July 1, 2013, the TAT rate shall be 11.25%. 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) 11.1% shall be deposited into the convention center enterprise special fund; (2) 22.0% deposited into the tourism special fund; and (3) 28.9% 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-27(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 provides that the 9.25% rate shall be in effect until June 30, 2013, it proposes to increase the TAT rate to 11.25% on July 1, 2013 and thereafter.

This measure also alters the disposition of TAT revenues. It appears that the amount of revenues deposited into the general fund upon the enactment represents a significant increase in addition to the overall collections of the tax.

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, 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. Should this occur and even more government is created dependent on a source that is subject to the swings of a national and global economy, the question must be asked - what will Hawaii do when there is another blip in the economy? Where will lawmakers in the future turn to bail out another financial crisis?

This measure would make the TAT rate of 11.25% 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 choice of 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 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.