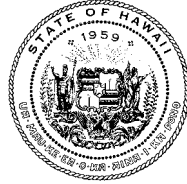


NEIL ABERCROMBIE
GOVERNOR

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 Angus L.K. McKelvey, Chair
and Members of the House Committee on Consumer Protection & Commerce

Date: Thursday, March 14, 2013
Time: 5:30 P.M.
Place: Conference Room 325, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: S.B. 500, S.D. 2, Relating to Transient Accommodations

The Department of Taxation (Department) **supports** S.B. 500, S.D. 2, and offers the following information and comments for your consideration.

This measure amends Act 326, Session Laws of Hawaii 2012 by clarifying what information must be provided to the Department and by modifying the penalties for non-compliance.

First, the Department recommends the bill be amended to contain further guidance on who may act as a designated local contact. The Department has received numerous inquiries about whether a friend or relative may act as the contact, or whether the contact must be a licensed real estate professional or must meet some other criteria. The Department suggests subsection (a) be amended to read as follows:

(a) Any operator [~~of a transient accommodation~~] shall designate a local contact [~~residing~~] on the same island where the transient accommodation is located. The local contact can be an individual residing on the same island or an entity with its principal place of business on the same island. The local contact need not be a licensed real estate broker or be accredited in any other manner.

Second, the Department strongly supports changing the penalty for failure to report information under this Act from a criminal penalty to a civil fine, and clarifying that the penalty may only be imposed once per year.

Third, the Department strongly supports the requirement of subsection (c) that the local contact's name, address and contact information be submitted to the Department. Under the current subsection (b), an operator is required to submit the local contact's name, address and contact information as well as "relevant information" to the condo or homeowner's association.

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CPC SB500 SD2
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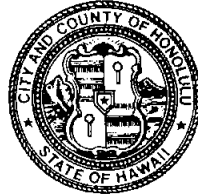
However, under subsection (c) only the relevant information and not the local contact's information must be submitted to the Department.

Thank you for the opportunity to provide comments.

DEPARTMENT OF PLANNING AND PERMITTING
CITY AND COUNTY OF HONOLULU

650 SOUTH KING STREET, 7TH FLOOR • HONOLULU, HAWAII 96813
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KIRK CALDWELL
MAYOR



GEORGE I. ATTA
FAICP, LEED AP, CEI
DIRECTOR DESIGNATE

JIRO A. SUMADA
DEPUTY DIRECTOR

March 14, 2013

The Honorable Angus L. K. McKelvey, Chair
and Members of the Committee on Protection
and Commerce
State House of Representatives
State Capitol
415 South Beretania Street
Honolulu, Hawaii 96813

Dear Chair McKelvey and Members:

Subject: Senate Bill No. 500, SD 2
Relating to Transient Accommodations

The Department of Planning and Permitting (DPP) **supports the intent but opposes the scope of enforcement** for Senate Bill No. 500, SD 2, which clarifies the association's duty to report to the Department of Taxation relevant information an association actually receives from the transient accommodation operator. It also limits the fines imposed on an association while also holding an owner or operator of a transient accommodation accountable for failure to report.

The DPP applauds the intent of this bill, which holds the association and owner or operator of transient accommodations accountable for reporting the use. The bill also serves to expose the locations and frequencies of transient accommodations activities. However, the City's experience with enforcement efforts against operators of illegal transient vacation rentals is that anything short of severe penalties are viewed by the violators as simply the "cost of doing business." For this reason, we recommend the bill be amended to replace the once a year limit on the imposition of civil penalties with a recurring imposition of civil penalties for each failure to report.

Please amend Senate Bill No. 500, SD 2, as requested. Thank you for this opportunity to testify.

Very truly yours,

A handwritten signature in cursive script that reads "George I. Atta".

George I. Atta, FAICP, LEED AP, CEI
Director Designate
Department of Planning and Permitting

GIA:jmf
sb500sd2-TransAccomm-mf



P.O. Box 976
Honolulu, Hawaii 96808

March 12, 2013

Honorable Angus L.K. McKelvey
Honorable Derek S.K. Kawakami
Consumer Protection and Commerce
415 South Beretania Street
Honolulu, Hawaii 96813

Re: **SB500 SD2/SUPPORT**

Dear Chair McKelvey, Vice-Chair Kawakami and Committee Members:

I am the vice-chair of the CAI Legislative Action Committee. CAI has the following comments in support of SB500 SD2.

First, SB500 SD2 will serve to clarify the reporting requirements for associations in connection with operators of transient rentals in their communities. Currently the members of such associations that serve on their boards are confused about the reporting requirements, and thus, we support the clarification offered by SB500 SD2, *i.e.*, only the information provided by operators to associations will then be reported to the appropriate tax authority, and there is no duty for such volunteer board members to conduct an independent inquiry for such information.

Second, Act 326 currently provides for excessive penalties for such volunteer board's failure to report the activity that the Act targets, yet such boards and associations receive no benefit from that activity. The penalties should remain to sanction the operators that fail to comply with the Act 326 reporting requirements. However, the reduction of the penalty for associations is appropriate as reflected in SB500 SD2.

Honorable Angus L.K. McKelvey
Honorable Derek S.K. Kawakami
March 12, 2013
Page 2 of 2

CAI represents the association industry, and endorses this approach. We respectfully request the Committee to pass **SB500 SD2**. Thank you.

Very truly yours,

A handwritten signature in black ink, appearing to read 'CP', written in a cursive style.

Christian P. Porter



March 14, 2013

The Honorable Angus L. K. McKelvey, Chair
House Committee on Consumer Protection & Commerce
State Capitol, Room 325
Honolulu, Hawaii 96813

RE: S.B. 500, SD2, Relating to Transient Accommodations

Aloha Chair McKelvey, Vice Chair Kawakami, and Members of the Committee:

I am Dan Monck, here to testify on behalf of the Hawai'i Association of Vacation Rental Managers ("HAVRM").

HAVRM **submits comments** on H.B.500, SD2.

HAVRM supports the intent of S.B. 500, SD2 to "clean" up several aspects of ACT 326, Session Laws of Hawaii 2012, and would like to offer improvements to S.B. 500, SD2 for the committee's consideration.

While we agree that the penalty attributable to operators should be a civil penalty as advocated by this proposed bill, the reduction of the penalty to \$1000 is too low and certainly inappropriate.

The operators of the Transient Accommodations that Act 326 addresses on average achieve revenues on the order of \$40,000 a year, and which can reach over \$100,000 a year. A fine of only \$1000 is too small, when compared to the magnitude of these revenues, to secure consumer protection and public safety by insuring a Local Contact exists for each Transient Accommodation, and that this information is properly provided to the appropriate AOAO. Furthermore, this Local Contact information provides the Department of Finance an important avenue to pursue significant tax collection for our State.

We would suggest that the fine be a civil fine of \$10,000. This value is more appropriate than the \$1000 presently suggested within S.B. 500, SD2, when the revenue values being generated by these Transient Accommodation operators is considered, and this value is also consistent with fine within HB 1706 passed by the 2012 House addressing this same matter.

Thank you for the opportunity to provide our comments.