

# SB 818

## SB818

Measure Title: RELATING TO TRANSIENT ACCOMMODATIONS TAX.

Report Title: Transient Accommodations Tax; Division of State Parks; Division of Boating and Ocean Recreation

Description: Directs one per cent of the revenues collected under the transient accommodations tax to the state parks special fund for CIP and repair and maintenance by the division of state parks and a portion of the one per cent to the division of boating and ocean recreation for CIP and repair and maintenance.

Companion: [HB1190](#)

Package: None

Current Referral: WTL/THA, WAM

Introducer(s): CHUN OAKLAND, Baker, Dela Cruz, Ruderman

<u>Sort by Date</u>		Status Text
1/18/2013	S	Introduced.
1/22/2013	S	Passed First Reading.
1/22/2013	S	Referred to WTL/THA, WAM.
2/7/2013	S	The committee(s) on WTL/THA has scheduled a public hearing on 02-12-13 1:20PM in conference room 225.

NEIL ABERCROMBIE  
GOVERNOR OF HAWAII



**STATE OF HAWAII  
DEPARTMENT OF LAND AND NATURAL RESOURCES**

POST OFFICE BOX 621  
HONOLULU, HAWAII 96809

**WILLIAM J. AILA, JR.**  
CHAIRPERSON  
BOARD OF LAND AND NATURAL RESOURCES  
COMMISSION ON WATER RESOURCE MANAGEMENT

**ESTHER KIA'AINA**  
FIRST DEPUTY

**WILLIAM M. TAM**  
DEPUTY DIRECTOR - WATER

AQUATIC RESOURCES  
BOATING AND OCEAN RECREATION  
BUREAU OF CONVEYANCES  
COMMISSION ON WATER RESOURCE MANAGEMENT  
CONSERVATION AND COASTAL LANDS  
CONSERVATION AND RESOURCES ENFORCEMENT  
ENGINEERING  
FORESTRY AND WILDLIFE  
HISTORIC PRESERVATION  
KAHOOLAWE ISLAND RESERVE COMMISSION  
LAND  
STATE PARKS

**Testimony of  
WILLIAM J. AILA, JR.  
Chairperson**

**Before the Senate Committees on  
WATER AND LAND  
and  
TOURISM AND HAWAIIAN AFFAIRS**

**Tuesday, February 12, 2013  
1:20 PM  
State Capitol, Conference Room 225**

**In consideration of  
SENATE BILL 818  
RELATING TO TRANSIENT ACCOMMODATIONS TAX**

Senate Bill 818 proposes to direct one per cent of the revenues collected under the Transient Accommodations Tax (TAT) to the State Parks Special Fund for CIP and repair and maintenance by the Division of State Parks, and a portion of the one per cent to the Division of Boating and Ocean Recreation for CIP and repair and maintenance. **The Department of Land and Natural Resources (Department) supports additional funding for improvements, repair and maintenance, but is concerned with the potential adverse impact this measure may have on the State Financial Plan.**

Presently, an amount of \$1,000,000 from the TAT is allotted to the Department. Of this amount, 90% is allotted to the State Parks Special Fund and 10% is allotted to the special fund for the Statewide Trail and Access Program (Na Ala Hele). These funds have been received by the Department since 2005 and have allowed the Department to make significant improvements to the parks and trails for the benefit of both residents and visitors. The rising cost of electricity, water and sewage has depleted the operating budgets of the Divisions, thus reducing the remainder available for repair and maintenance.



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 [hawaiitourismauthority.org](http://hawaiitourismauthority.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. 818  
Relating to Transient Accommodations Tax**

Senate Committee on Water and Land  
Senate Committee on Tourism and Hawaiian Affairs  
Tuesday, February 12, 2013  
1:20 p.m.  
Conference Room 225

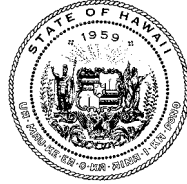
The Hawai'i Tourism Authority (HTA) strongly opposes S.B. 818, which proposes to deposit one per cent of transient accommodations tax revenues into the State Parks Special Fund up to an amount to be determined for parks improvement, with the revenues in excess of that amount deposited into the general fund. In addition, it provides that, of the one per cent deposited into the State Parks Special Fund, a percentage be transferred to the division of boating and ocean recreation for capital improvement projects.

We can, however, support S.B. 950, with certain amendments, which are proposed in our testimony on S.B. 950. Hawaii's natural resources are an important part of our visitor industry infrastructure. We believe that the approach proposed in the proposed S.D. 1 of S.B. 950 is a better way to address this issue.

Thank you for the opportunity to comment on S.B. 818.

**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 Malama Solomon, Chair  
and Members of the Senate Committee on Water and Land

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

Date: Tuesday, February 12, 2013  
Time: 1:20 P.M.  
Place: Conference Room 225, State Capitol

From: Frederick D. Pablo, Director  
Department of Taxation

Re: S.B. 818, Relating to Transient Accommodations Tax

The Department of Taxation (Department) defers to the Department of Budget and Finance and Department of Land and Natural Resources on the merits of S.B. 818, and offers the following information for your consideration.

S.B. 818 amends Section 237D-6.5, Hawaii Revised Statutes (HRS), by allocating one percent of the transient accommodations tax revenues to the state park special fund established under section 184-3.4, HRS, effective upon its approval. The Department notes that this measure will have an immediate effect on the FY2013 budget, by reducing the distribution to the general fund and increase the distribution to the state park special fund.

Thank you for the opportunity to provide testimony.

# TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

**SUBJECT:** TRANSIENT ACCOMMODATIONS, Disposition for state parks special fund

**BILL NUMBER:** SB 818; HB 1190 (Identical)

**INTRODUCED BY:** SB by Chun Oakland and 3 Democrats; HB by Brower, Cachola, Hanohano, Lee, Lowen, Mizuno, Morikawa, Souki, Takayama, Takumi, Thielen, Tsuji, 12 Democrats and 2 Republicans

**BRIEF SUMMARY:** Amends HRS section 237D-6.5(b)(2) to provide that 1% of the transient accommodations tax (TAT) revenues collected shall be deposited in the state parks special fund for capital improvement projects and repair and maintenance by the department of land and natural resources (DLNR), division of state parks; provided that beginning January 1, 2013, if the amount of the revenue collected under this paragraph exceeds \$ \_\_\_ in any fiscal year, revenues collected in excess of \$ \_\_\_ shall be deposited into the general fund. Also provides that of the 1%, \_\_\_% cent shall be transferred to the DLNR, division of boating and ocean recreation, for capital improvement projects and repair and maintenance.

**EFFECTIVE DATE:** Upon approval

**STAFF COMMENTS:** Currently, TAT revenues are allocated as follows: (1) 17.3% deposited into the convention center enterprise special fund; (2) 34.2% deposited into the tourism special fund; (3) 44.8% transferred to the various counties, with any remaining revenues deposited into the general fund. The proposed measure would decrease the amount deposited into the general fund by 1% and provide that such amount shall be deposited in the state parks special fund and division of boating and ocean recreation for capital improvement projects and repair and maintenance by the DLNR. It should be noted that under HRS section 237D-6.5(b)(2) of the 34.2% of TAT revenues deposited into the tourism special fund, of the first \$1 million in revenues deposited, 90% is deposited into the state parks special fund, so the proposed measure would divert more TAT revenues for this particular special fund.

While the proposed measure would add another siphon of TAT revenues, it would perpetuate the earmarking of TAT revenues for activities other than tourism. While proponents of earmarking of the TAT argue that if the projects or programs are not funded, none of the pristine beauty that visitors come to see will be preserved, one could make the argument on the other side. If there are insufficient funds to promote the industry, then visitor counts will drop and so will the income that fuels the state's economy. Lawmakers seem to have lost sight of the fact that visitors also contribute to state coffers directly through the 4% on everything they purchase in Hawaii including hotel rooms, visitor activities and purchases of food and souvenirs. To that extent, a good part of the general fund tax collections is contributed by visitors. If the argument is that visitors should pay to help maintain the state parks, boating and ocean recreation programs, then paying for those programs out of general funds is more appropriate than stealing the money from what is identified as a tax paid specifically by the visitor.

Unfortunately, lawmakers would rather spend those general funds on other pet programs and projects. What they have decided is that maintaining the state's parks or oceans is not a high enough priority to be funded out of the general fund pot. Indeed, if such programs are of such a priority, then they should be measured along side all other general fund financed programs.

Rather than the continual earmarking of TAT revenues, a direct appropriation of general funds would be preferable. Earmarking the TAT revenues for these programs that not only benefit the visitors but the community at large, is an abdication on the part of the legislature to set priorities among general fund resources and is an indication that the legislature truly does not believe this is an important enough issue to set aside state appropriations to address this issue. It should be remembered that the TAT was adopted when the hotel industry acquiesced to a tax on hotel room rentals in order to secure funding for the construction of a state convention center. Although the industry had supported a 2% rate to be levied, the 1986 legislature adopted a tax with a rate of 5% and then refused to earmark it for the convention center until a site was selected. In the meantime, the legislature either spent it or handed out grants to the counties such that by the time a convention center site was selected, lawmakers found that they had to raise the rate to 6% to accommodate not only the building of the convention center, but dedicated funds for visitor promotion and grants-in-aid to the counties. If there is anything to take away from the TAT fiasco is that the legislature cannot be trusted to honor its word.

Digested 2/8/13