

Honolulu, Hawaii

MAR 2 1 2014

RE: H.B. No. 1671
H.D. 1
S.D. 1

Honorable Donna Mercado Kim
President of the Senate
Twenty-Seventh State Legislature
Regular Session of 2014
State of Hawaii

Madam:

Your Committees on Tourism and Public Safety,
Intergovernmental and Military Affairs, to which was referred H.B.
No. 1671, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO TRANSIENT ACCOMMODATIONS TAX,"

beg leave to report as follows:

The purpose and intent of this measure is to remove the current cap of \$93,000,000 on the transient accommodations tax revenues to be distributed to the counties and instead distribute 44.8 percent of transient accommodation tax revenues collected to the counties.

Your Committees received testimony in support of this measure from the Department of Finance, County of Kauai; Office of the Mayor, County of Hawaii; Office of the Mayor, County of Maui; Office of the Mayor, City and County of Honolulu; Hawaii County Council; County Council, County of Hawaii; Hawaii County Council, District 9; County Council, County of Maui; County Services Division, County of Kauai; City Council, City and County of Honolulu; Hawaii Council of Mayors; Poipu Beach Resort Association; ILWU Local 142; Hawaii Association of Vacation Rental Managers; and nine individuals. Your Committees received testimony in opposition to this measure from the Department of Budget and Finance and Department of Taxation. Your Committees received comments on this measure from the Tax Foundation of Hawaii.



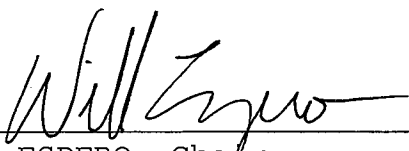
Your Committees recognize the importance of county facilities and services to support and enhance the tourism industry. Your Committees further find that the counties maintain roads and parks and provide the law enforcement officers and first responders who serve residents and visitors. This measure ensures that tax revenues derived from guest visits to the different islands of Hawaii will help offset the costs of providing services that guests use while visiting the islands.

Your Committees have amended this measure by inserting a blank percentage of the transient accommodations tax revenues to be allocated to the counties.

Your Committees received oral testimony from county officials and individual county council members characterizing the intent of the Legislature as placing a "temporary" cap on the counties' share of transient accommodations tax revenues in passing Act 61, Session Laws of Hawaii 2009, and Act 103, Session Laws of Hawaii 2011. Your Committees also received written testimony characterizing the cap as having been "imposed" on the counties. Your Committees note, however, that in placing the \$93,000,000 cap into effect in 2011, the State effectively guaranteed the counties a historically high share of revenues.

As affirmed by the records of votes of the members of your Committees on Tourism and Public Safety, Intergovernmental and Military Affairs that are attached to this report, your Committees are in accord with the intent and purpose of H.B. No. 1671, H.D. 1, as amended herein, and recommend that it pass Second Reading in the form attached hereto as H.B. No. 1671, H.D. 1, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committees on Tourism and
Public Safety,
Intergovernmental and Military
Affairs,


WILL ESPERO, Chair


GILBERT KAHELE, Chair



