

Honolulu, Hawaii

MAR 21 2014

RE: H.B. No. 1900
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 Committee on Tourism, to which was referred H.B.
No. 1900, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO THE TAXATION OF DESTINATION
CLUBS,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Establish a tax on annual destination club dues apportioned to the State; and
- (2) Require destination club membership plan managers to register with the Department of Taxation and keep records of annual destination club dues apportioned to the State.

Your Committee received testimony in support of this measure from McCorriston, Miller, Mukai, MacKinnon, LLP. Your Committee received comments on this measure from the Department of Taxation and Tax Foundation of Hawaii.

Your Committee finds that destination clubs own various properties in multiple states and provide their members with the right to use or occupy the destination club's facilities in various locations. Your Committee further finds that the Hawaii Intermediate Court of Appeals recently ruled that destination clubs are not timeshare plans as defined in chapter 514E, Hawaii



Revised Statutes. Accordingly, destination clubs would not be subject to the transient accommodations tax imposed upon timeshares under chapter 237D, Hawaii Revised Statutes, because state law does not subject destination clubs to the transient accommodations tax. In considering this measure, your Committee has concluded that destination clubs are a type of transient accommodation and should be taxed as such.

Accordingly, your Committee has amended this measure by imposing the transient accommodations tax on destination club plan managers based on the fair market rental value attributable to their Hawaii destination club units. More specifically, your Committee has amended this measure by:

Your Committee has amended this measure by:

- (1) Deleting the definition of "annual destination club dues apportioned to the State";
- (2) Inserting language to apply the definition of "fair market rental value" to fees attributable to destination club units and to include under that definition services included with the unit, including but not limited to laundry, transportation, and food services;
- (3) Deleting language that would have imposed a tax as a percentage of the annual destination club dues apportioned to the State and instead imposing a transient accommodations tax upon destination club plan managers for each of their Hawaii destination club units occupied during the month, at a rate of 7.25 percent on the fair market rental value; and
- (4) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Tourism that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1900, H.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1900, 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
Committee on Tourism,

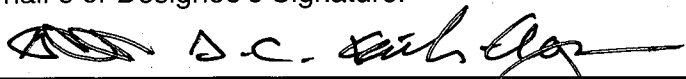


GILBERT KAHELE, Chair



The Senate
 Twenty-Seventh Legislature
 State of Hawai'i

Record of Votes
Committee on Tourism
TSM

Bill / Resolution No.:* HB 1900 HDI	Committee Referral: TSM, WAM	Date: 03/20/14		
<input checked="" type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: <u>Pass with amendments.</u>				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
KAHELE, Gilbert (C)	✓			
KEITH-AGARAN, Gilbert S.C. (VC)	✓			
IGE, David Y.	✓			
IHARA, Jr., Les				✓
SLOM, Sam				✓
TOTAL	3	0	0	2
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes