

Honolulu, Hawaii
February 6, 2014

RE: H.B. No. 2169

Honorable Joseph M. Souki
Speaker, House of Representatives
Twenty-Seventh State Legislature
Regular Session of 2014
State of Hawaii

Sir:

Your Committee on Tourism, to which was referred H.B. No. 2169 entitled:

"A BILL FOR AN ACT RELATING TO TOURISM STIMULUS INCENTIVES,"

begs leave to report as follows:

The purpose of this measure is to provide incentives to stimulate tourism by:

- (1) Providing qualified employers a tax credit of 4.5 percent of wages paid to each qualified employee for a period after completion of hotel and resort construction or renovation; and
- (2) Providing a general excise tax exemption for certain hotel and resort construction or renovation.

The Hawaii Tourism Authority, Hawaii Lodging & Tourism Association, Outrigger Hotels Hawaii, Maui Hotel & Lodging Association, and Wyndham Vacation Ownership supported this measure. The Department of Taxation and the Tax Foundation of Hawaii offered comments on this measure.

Your Committee notes that the Department of Taxation raised concerns about creating a duplicative tax benefit because, in general, wages paid to employees are already deductible from the gross income of a business.



Your Committee also notes that the Department of Taxation expressed concerns about the process for certifying facilities relative to the tax credit. The Department of Taxation said the process is administratively problematic and could lead to significant abuse with little recourse for the State.

Your Committee further notes that the Department of Taxation suggested that the term "department" should refer exclusively to the Department of Taxation, and that references to the Department of Business, Economic Development, and Tourism be specifically referenced where appropriate.

Your Committee finds that this measure warrants further discussion as it advances through the legislative process.

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. 2169 and recommends that it pass Second Reading and be referred to the Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committee on Tourism,



TOM BROWER, Chair



