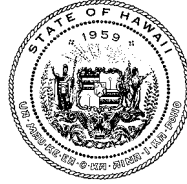


NEIL ABERCROMBIE
GOVERNOR

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 David Y. Ige, Chair
and Members of the Senate Committee on Ways and Means

Date: Friday, March 28, 2014
Time: 9:15 a.m.
Place: Conference Room 211, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: H.B. 1671, H.D. 1, S.D.1, Relating to Transient Accommodations Tax

The Department of Taxation (Department) defers to the Department of Budget and Finance regarding the impact of H.B. 1671, H.D. 1, S.D. 1, in regards to the State's financial plan, and offers the following information and comments for the Committee's consideration.

H.B. 1671, H.D. 1, S.D. 1, amends Section 237D-6.5(b)(3), Hawaii Revised Statutes (HRS), by removing the \$93 million allocation to the Counties, and replaces it with an unspecified percentage of the revenues collected under Chapter 237D, HRS. The measure has a defective effective date of July 1, 2050.

The Department provides the following pertinent history for the Committee's consideration. Act 61, Session Laws of Hawaii 2009 (Act 61), amended Section 237D-2 (b), HRS, to: (1) increase the Transient Accommodations Tax (TAT) rate from 7.25% to 8.25% beginning July 1, 2009 to June 30, 2010; and (2) increase the TAT rate from 8.25% to 9.25% beginning July 1, 2010 to June 30, 2015. More specifically, Act 61 provided that the additional revenue generated due to the rate increases were to be deposited into the *general fund*. The additional revenues were *not* subject to distribution to the Convention Center Enterprise Special Fund, Tourism Special Fund, or the counties as specified in Section 237D-6.5(b), HRS.

In 2011, to address the State's budget shortfall and to temporarily increase and preserve the amount of revenue derived from the TAT, the Legislature passed Act 103, Session Laws of Hawaii 2011, which amended Section 237D-6.5(b), HRS, by limiting the distribution of the revenue to the amounts derived from the *7.25% portion of the TAT rate*. The distribution to the Tourism Special Fund, for the period beginning July 1, 2011 and ending June 30, 2015, was limited to \$69 million per fiscal year, and the distribution to the counties, for the same period, was limited to \$93 million per fiscal year.

During the 2013 Regular Legislative Session, the Administration introduced S.B. 1194, to amend the law to make the 9.25% TAT rate permanent, make the language easier for taxpayers to understand, and to repeal the tax on complimentary rooms by amending Sections 237D-2(a) and (b), HRS. In addition, S.B. 1194 proposed to amend the distributions set forth in Section 237D-6.5, HRS, in order to preserve the allocation amounts to the various special funds and counties. S.B. 1194 was signed into law as Act 161, Session Laws of Hawaii 2013, (Act 161).

If it is the Legislature's intent is to remove the \$93 million cap on the TAT allocation to the counties and to provide the counties with a 44.8% share of the revenues derived from the 7.25% portion of the TAT rate, the Department suggests the following amendment:

SECTION 1. Section 237D-6.5, Hawaii Revised Statutes, is amended by amending subsection (b) to read as follows:

"(b) Revenues collected under this chapter shall be distributed as follows, with the excess revenues to be deposited into the general fund:

...
(3) [~~\$93,000,000~~] 35.1 per cent of the revenues collected under this chapter shall be allocated as follows: Kauai county shall receive 14.5 per cent, Hawaii county shall receive 18.6 per cent, city and county of Honolulu shall receive 44.1 per cent, and Maui county shall receive 22.8 per cent; ..."

The 35.1% allocation rate represents the 44.8% rate, adjusted for the increased TAT base. This adjustment is necessary because the TAT base upon which the allocation is calculated was increased from the 7.25% portion of the TAT to the entire TAT collected by Act 161. If the allocation percentage is restored to 44.8% as it was prior Act 161, the amount allocated to the counties would be higher than what was intended due to the increased base.

Thank you for the opportunity to provide comments.

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
HOUSE BILL NO. 1671, H.D. 1, S.D. 1

March 28, 2014

RELATING TO TRANSIENT ACCOMMODATIONS TAX

House Bill No. 1671, H.D. 1, S.D. 1, removes the current \$93 million cap on transient accommodations tax (TAT) revenues to be distributed to the counties and establishes the distribution of these revenues as a percentage of the TAT collected under Section 237D-6.5, Subsection (b), Hawaii Revised Statutes (HRS).

The Department of Budget and Finance strongly opposes removal of the \$93 million cap on TAT revenues that are distributed to the counties under Section 237D-6.5, Subsection (b), HRS, for the following reasons:

First, the TAT rate was increased from 7.25% to 8.25% beginning on July 1, 2009 and then from 8.25% to the current 9.25% rate beginning on July 1, 2010 as a result of Act 61 (2009). Act 61 specifically specified that any revenues generated from this increase was to be deposited into the (state) general fund. The increase of the TAT rate, and revenues therefrom, were NOT included in the allocation to the counties. As contemplated by the Legislature in Act 61 (2009), revenue from the increased TAT rate was never intended for the counties.

Second, the TAT is a state authorized tax that is levied and allocated based on a formula established in statute. The original intent of allocating state TAT revenues to the counties were to provide the counties with funding for services and impacts of the visitor industry. Since implementation of the TAT, the expenditures

of TAT revenues by both the counties and the state have NOT been explicitly identified or noted as to what exact services or programs TAT revenue funds. Instead, TAT revenue for both the counties and the state are simply additional revenues of their general funds. The Legislature through Act 103 (2011) capped the allocated TAT revenue to the counties at \$93 million. At that time, \$93 million was the historical peak of TAT allocation to the counties. Considering that there is no direct correlation between TAT tax revenues and public service expenditures for visitors by the counties, the \$93 million allocation established in 2011 represents a consistent funding allocation to the counties that has NOT subsided or waned since effectuated.

We must all remember that TAT revenue is not intended to pay for all the costs or perceived county burdens of providing services for visitors. The TAT revenue merely supplements what is already extracted by the counties from visitor industry businesses. Specifically, the counties already collect real property taxes from hotels and businesses that are meant to fund services that are provided to visitors and residents alike. I would also point out that real property taxes on visitor accommodations are the highest ad valorem rates of any property classes in all the counties. The \$93 million in TAT provides to the counties supplemental revenue from state tax revenues.

Fourthly, removing the cap and establishing the distribution of the TAT revenues to the counties as a percentage of the TAT collected could result in significant general fund tax losses on the State's financial plan. This measure leaves the percentage amount blank; however, in light of the most recent Council on Revenues' tax projections, measures such as House Bill No. 1671, H.D. 1, S.D. 1, should be held based on their potential negative impact on general fund revenues and the sustainability of general funded programs throughout the State.

OFFICE OF THE MAYOR
CITY AND COUNTY OF HONOLULU

530 SOUTH KING STREET, ROOM 300 * HONOLULU, HAWAII 96813
PHONE: (808) 768-4141 * FAX: (808) 768-4242 * INTERNET: www.honolulu.gov



KIRK CALDWELL
MAYOR

EMBER LEE SHINN
MANAGING DIRECTOR
GEORGETTE T. DEEMER
DEPUTY MANAGING DIRECTOR

TESTIMONY OF KIRK CALDWELL, MAYOR
CITY AND COUNTY OF HONOLULU
BEFORE THE SENTATE WAYS AND MEANS COMMITTEE
Friday, March 28, 2014, 9:15 a.m., Conference Room 211

HB1671, HD 1, SD1, "RELATING TO TRANSIENT ACCOMMODATIONS TAX"
Position: In Strong Support

TO: The Honorable David Y. Ige, Chair
and Members of the Senate Committee on Ways and Means

The City and County of Honolulu (City) **strongly supports** HB1671, HD 1, SD 1, Relating to Transient Accommodations Tax (TAT), which amends Section 237D-6.5 HRS by removing the \$93 million cap, currently in place on the counties' share of the TAT revenue pursuant to Act 103, Session Laws of Hawaii (SLH) 2011, and then made permanent by Act 161, SLH 2013.

The TAT is intended to compensate the counties for the services that support the tourism industry. The City incurs significant costs for public safety, transportation and other tourism-related services across the island that tourists utilize. The City performed a recent analysis that estimates that approximately \$140 million to \$180 million, or 7% to 9% of the City's operating budget, is spent on services that are key to keeping Honolulu globally competitive as a safe and desirable destination.

Currently, the City's portion of the TAT is capped at \$41 million, which is far less than the City's annual tourism-related expenditures. HB1671, HD 1, SD 1, would reimburse the City for a larger share of its costs related to tourism, and reduce the amount that residents of the City sustain.

Thank you for the opportunity to testify on HB1671, HD 1, SD 1, and I ask that the committee pass this measure with an amendment to reinstate the 44.8% of the TAT revenues that have been allocated to the counties in the past.

From: mailinglist@capitol.hawaii.gov
To: [WAM Testimony](#)
Cc: Don.Couch@mauicounty.us
Subject: *Submitted testimony for HB1671 on Mar 28, 2014 09:15AM*
Date: Tuesday, March 25, 2014 4:47:46 PM

HB1671

Submitted on: 3/25/2014

Testimony for WAM on Mar 28, 2014 09:15AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Councilmember Don Couch	Individual	Support	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

Do not reply to this email. This inbox is not monitored. For assistance please email webmaster@capitol.hawaii.gov

DENNIS "FRESH" ONISHI
Council Member
District 3



PHONE: (808) 961-8396
FAX: (808) 961-8912
EMAIL: donishi@co.hawaii.hi.us

HAWAI'I COUNTY COUNCIL
25 Aupuni Street, Hilo, Hawai'i 96720

March 27, 2014

The Honorable David Y. Ige, Chair
and Members of the Committee on Ways and Means

Dear Senator Ige and Members of the Committee,

Thank you for the opportunity to provide testimony strongly supporting House Bill 1671. This bill removes the counties' cap on the transient accommodations tax revenue and restores a percentage of the collected revenue to the counties.

As Speaker Souki stated in his Opening Day remarks about removing the cap:

"The Transient Accommodations Tax on tourism helps us provide for the main driver of our economic engine. In this strong economy, should we not be thinking about a greater partnership with our counties who provide much of the services that directly support tourism?"

"They are the ones who maintain our roads and parks and provide the law enforcement officers and first responders who serve our visitors as well as our kama'āina. Therefore, let's look at removing the cap on the counties' share of the TAT."

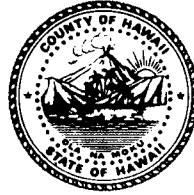
Approving House Bill 1671 would help the counties provide the funding to increase the services that we provide to our tourists.

Sincerely,

A handwritten signature in black ink, appearing to read 'Dennis Onishi'.

Dennis "Fresh" Onishi
Hawai'i County Council Member

COUNTY OF HAWAI'I



STATE OF HAWAI'I

RESOLUTION NO. 284 14

A RESOLUTION URGING THE HAWAI'I STATE LEGISLATURE TO PASS HOUSE BILL 1671, WHICH WILL INCREASE TRANSIENT ACCOMMODATIONS TAX REVENUE TO THE COUNTIES.

WHEREAS, House Bill 1671 proposes to remove the current cap on transient accommodations tax revenues to be distributed to the counties and instead reserve to the counties 44.8 percent of collected transient accommodations tax revenue; and

WHEREAS, the State will benefit from a greater partnership with the counties, which provide much of the services that support tourism; and

WHEREAS, the counties maintain roads and parks and provide the law enforcement officers and first responders who serve residents and visitors; and

WHEREAS, the current allocation to the counties is inadequate for the increased use of resources from visitors on county parks, infrastructure, and first responders; and

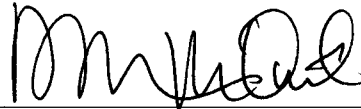
WHEREAS, with the improving economy, the State has an interest in protecting the fiscal health of its political subdivisions; now, therefore,

BE IT RESOLVED BY THE COUNCIL OF THE COUNTY OF HAWAI'I that the House and the Senate are urged to pass House Bill 1671, which will increase the transient accommodations tax revenue allocated to the counties.

BE IT FINALLY RESOLVED that the County Clerk shall transmit a copy of this resolution to the Honorable Governor Neil Abercrombie; the Honorable Senate President Donna Mercado Kim; the Honorable Speaker Joseph Souki; the Honorable Senator David Ige; the Honorable Senator Michelle N. Kidani; the Honorable Senator Gilbert Kahele; the Honorable Senator Gilbert Keith-Agaran; the Honorable Representative Sylvia Luke; the Honorable Representative Aaron Ling Johanson; the Honorable Representative Scott Y. Nishimoto; the Honorable Representative Tom Brower; and the Honorable Representative Romy M. Cachola.

Dated at _____, Hawai'i, this _____ day of _____, 20__.

INTRODUCED BY:



COUNCIL MEMBER, COUNTY OF HAWAI'I

COUNTY COUNCIL
County of Hawai'i
Hilo, Hawai'i

I hereby certify that the foregoing RESOLUTION was by the vote indicated to the right hereof adopted by the COUNCIL of the County of Hawai'i on _____.

ATTEST:

COUNTY CLERK CHAIRPERSON & PRESIDING OFFICER

ROLL CALL VOTE

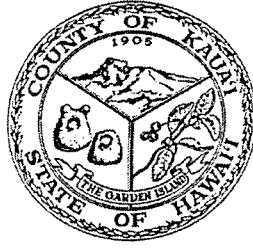
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ILAGAN				
KANUHA				
KERN				
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POINDEXTER				
WILLE				
YOSHIMOTO				

Reference: C-634/Waived GREDC

RESOLUTION NO. 284 14

COUNTY COUNCIL

Jay Furfaro, Chair
Mason K. Chock, Sr., Vice Chair
Tim Bynum
Gary L. Hooser
Ross Kagawa
Mel Rapozo
JoAnn A. Yukimura



OFFICE OF THE COUNTY CLERK

Ricky Watanabe, County Clerk
Jade K. Fountain-Tanigawa, Deputy County Clerk

Telephone (808) 241-4188
Fax (808) 241-6349
Email cokcouncil@kauai.gov

Council Services Division
4396 Rice Street, Suite 209
Līhu'e, Kaua'i, Hawai'i 96766

March 25, 2014

**TESTIMONY OF GARY L. HOOSER
COUNCILMEMBER, KAUA'I COUNTY COUNCIL
ON**

**HB 1671, HD1, SD1, RELATING TO TRANSIENT ACCOMMODATIONS TAX
Committee on Ways and Means
Friday, March 28, 2014
9:15 a.m.
Conference Room 211**

Dear Chair Ige, and Committee Members:

Thank you for this opportunity to submit testimony in support of HB 1671, HD1, SD1, relating to the Transient Accommodations Tax. My testimony is submitted in my individual capacity as the Economic Development (Sustainability / Agriculture / Food / Energy) & Intergovernmental Relations Committee Chair and a Councilmember of the Kaua'i County Council.

HB 1671, HD1, SD1, in its current form will remove the cap on the Counties share of the Transient Accommodations Tax (TAT) revenues, which will be based on a percentage of the total TAT collected.

Prior to 2011, the Counties were receiving 44.8% of the revenues collected for TAT. It was then capped at \$93 million, pursuant to Act 103, Session Laws of Hawai'i (SLH) 2011, and then made permanent by Act 161, SLH 2013. This has resulted in millions of dollars of lost revenue to the Counties, and is evident in the tremendous increase in TAT collections each year.

It is assumed that the County of Kaua'i will face an approximate \$8.9 million shortfall in the General Fund for Fiscal Year 2014-2015 alone. A major contributor to this shortfall is the Collective Bargaining increases approved this past year. Because of this shortfall, the County is faced with seeking additional revenue sources for the upcoming Fiscal Year.

Last year, Kaua'i County Councilmembers analyzed our visitor related expenses and concluded that the County of Kaua'i expended approximately \$44 million on visitor related expenses alone for Fiscal Year 2011-2012. Visitor expenses

Chair Ige, and Committee Members

RE: HB 1671, HD1, SD1, Relating to Transient Accommodations Tax

March 25, 2014

Page 2

include services for public safety, parks, road maintenance, and many others. On any given day, visitors comprise of approximately 21% of the population on Kaua'i.

Currently, the County of Kaua'i receives \$13,485,000 of TAT revenues from the State. If the cap for the Counties is removed, the County of Kaua'i will receive much needed revenue to continue providing services for our visitors and residents alike.

For the reasons stated above, I respectfully request that this Committee approve this measure. Again, thank you for this opportunity to submit testimony.

Sincerely,

A handwritten signature in black ink, appearing to read "Gary Hooser", written over the word "Sincerely,".

GARY L. HOOSER

Councilmember, Kaua'i County Council

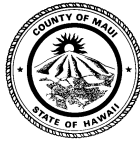
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Council Chair
Gladys C. Baisa

Vice-Chair
Robert Carroll

Presiding Officer Pro Tempore
Michael P. Victorino

Council Members
Elle Cochran
Donald G. Couch, Jr.
Stacy Crivello
Don S. Guzman
G. Riki Hokama
Mike White

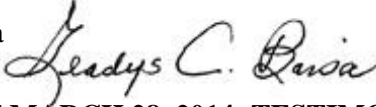


Director of Council Services
David M. Raatz, Jr., Esq.

COUNTY COUNCIL
COUNTY OF MAUI
200 S. HIGH STREET
WAILUKU, MAUI, HAWAII 96793
www.mauicounty.gov/council

March 27, 2014

TO: The Honorable David Ige, Chair
Senate Committee on Ways and Means

FROM: Gladys C. Baisa
Council Chair 

SUBJECT: **HEARING OF MARCH 28, 2014; TESTIMONY IN SUPPORT OF HB 1671, HD1, SD1, RELATING TO TRANSIENT ACCOMMODATIONS TAX**

Thank you for the opportunity to testify **in support** of this important measure. The purpose of this measure is to remove the current cap on transient accommodations tax ("TAT") revenues to be distributed to the counties and establish the distribution of these revenues as a percentage of TAT collected.

The Maui County Council has not had the opportunity to take a formal position on this measure. Therefore, I am providing this testimony in my capacity as an individual member of the Maui County Council.

I support this measure for the following reasons:

1. This bill removes the cap on TAT revenues distributed to the counties. The cap was understood to be a temporary measure to assist the State with a budget shortfall, and removing it will resume the distribution of a proportional share of county-earned TAT revenues. With the State budget stabilized and TAT collections increasing, there is no further justification for the cap.
2. Increases in visitor counts mean higher demands and costs for infrastructure and services including public safety. The counties will use the TAT revenue to provide services and infrastructure investments necessary for our State to maintain its competitive edge over other travel destinations and to continue to attract visitors. This will benefit Hawaii.

For the foregoing reasons, I **support** this measure.

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March 28, 2014

The Honorable David Y. Ige, Chair
and Members of the Senate Committee
on Ways and Means
Hawai'i State Capitol
415 South Beretania Street, Room 211
Honolulu, Hawai'i 96813

RE: House Bill 1671, HD 1 SD 1 RELATING TO TRANSIENT ACCOMODATIONS TAX

Aloha, Chair Ige and Committee Members:

The Hawai'i Council of Mayors, which includes the mayors of Hawai'i, Honolulu, Kaua'i and Maui counties, strongly supports any effort to remove the temporary cap on the counties' share of transient accommodation tax revenue (TAT) put in place in 2011.

The cap was always understood to be a temporary measure to assist the state with a temporary budget shortfall, with a sunset in 2015. Now that the state economy is recovering and state transient accommodations tax collections are climbing to record levels, there is no further justification for the cap. We respectfully ask that the committee remove the cap on the counties' share of TAT revenues.

From the very beginning of the transient accommodations tax, the counties were always intended to receive a proportionate share of TAT revenue because the counties provide the bulk of services used by visitors. The costs of providing county services to visitors are always increasing. Normally, as visitor arrivals increase there is an increase in county collections from the TAT to help offset some of the escalating costs from the influx of record numbers of new



Mayor William Kenoi
County of Hawaii
25 Aupuni Street
Hilo, Hawaii 96720



Mayor Kirk Caldwell
City and County of Honolulu
530 South King Street
Honolulu, Hawaii 96813



Mayor Bernard Carvalho, Jr.
County of Kauai
4444 Rice Street
Lihue, Hawaii 96766



Mayor Alan Arakawa
County of Maui
200 South High Street, 9th Floor
Wailuku, Hawaii 96793

The Honorable David Y. Ige, Chair

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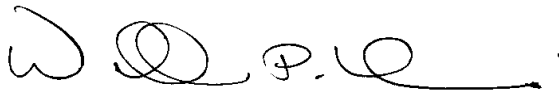
March 28, 2014

visitors. Arbitrarily reducing the counties' share of the tax increases the burden of mass tourism on the counties and our residents.

For those reasons, we respectfully ask that the committee remove the cap on the counties' share of the TAT and maintain the counties' proportionate share of the proceeds.

Thank you for your consideration.

Sincerely,



William Kenoi, Mayor
County of Hawai'i



Kirk Caldwell, Mayor
City and County of Honolulu

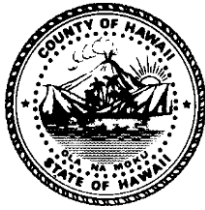


Bernard Carvalho, Jr., Mayor
County of Kaua'i



Alan Arakawa, Mayor
County of Maui

J Yoshimoto
Chair & Presiding Officer
Council District 2



Telephone: (808)961-8272
Facsimile: (808) 961-8912
Email: jyoshimoto@co.hawaii.hi.us

HAWAII COUNTY COUNCIL

*Office of the County Clerk
County of Hawai'i
25 Aupuni Street
Hilo, Hawaii 96720*

**TESTIMONY OF J YOSHIMOTO, CHAIR
HAWAII COUNTY COUNCIL
REGARDING
HB 1671 HD1, RELATING TO THE TRANSIENT ACCOMODATION TAX (“TAT”)**

Senate Ways and Means Committee
Friday, March 28, 2014 at 9:15 a.m.
Conference Room 211

Chair Ige, Vice-Chair Kidani, and Committee Members:

Thank you for the opportunity to provide testimony **IN SUPPORT** of House Bill 1671 HD1.

I wholeheartedly support HB 1671 HD1. The purpose of HB 1671 HD1 is to remove the cap that was imposed on the counties' shares of the TAT during the downturn in the economy. The cap was meant to be a temporary “fix” to help the State during the budget shortfall. The economy has improved, TAT revenues have rebounded, the visitor count is up and the demand on county public services is increasing.

The State and the counties are united in making a positive effort to maintain the aura and allure of Hawai'i as a destination vacation paradise. Please remember that it is County personnel who provide the services to protect and preserve the health and safety of our visitors and those who serve our visitors. It is the Counties who maintain the majority of the infrastructure and attractions for our visitors. When times were hard, we all cut back. Times are better now, so it is appropriate to remove the cap and allow counties to receive a proportionate share of the increase in revenues.

Once again, thank you for the opportunity to submit testimony **IN STRONG SUPPORT** of **HB 1671 HD1**.

COUNTY COUNCIL

Jay Furfaro, Chair
Nadine K. Nakamura, Vice Chair
Tim Bynum
Gary L. Hooser
Ross Kagawa
Mel Rapozo
JoAnn A. Yukimura



OFFICE OF THE COUNTY CLERK

Ricky Watanabe, County Clerk
Jade K. Fountain-Tanigawa, Deputy County Clerk

Telephone (808) 241-4188
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Council Services Division
4396 Rice Street, Suite 209
Lihue, Kauai, Hawaii 96766

March 25, 2014

**TESTIMONY OF JAY FURFARO
COUNCIL CHAIR, KAUAI COUNTY COUNCIL**

ON

H.B. NO.1671, HD 1, SD 1, RELATING TO TRANSIENT ACCOMIDATIONS TAX

Committee on Ways and Means

Friday, March 28, 2014

9:15 a.m.

Conference Room 211

Dear Chair Ige and Committee Members:

Thank you for this opportunity to submit testimony in support of HB 1671, HD1, SD 1, relating to the Transient Accommodations Tax. My testimony is submitted in my individual capacity as Council Chair of the Kauai County Council.

HB 1671, HD1, SD 1, in its current form will remove the cap on the Counties share of the Transient Accommodations Tax (TAT) revenues, which will be based on the distribution of revenues on the percentage of TAT collected.

Prior to 2011, the Counties were receiving 44.8% of the revenues collected for TAT. It was then capped at \$93 million, pursuant to Act 103, Session Laws of Hawaii (SLH) 2011, which was then made permanent by Act 161, SLH 2013. This has resulted in millions of dollars of lost revenue to the Counties, and is evident in the tremendous increase in TAT collections each year. Currently, the County of Kauai receives \$13,485,000 of TAT revenues from the State. If the cap for the counties is removed, and if the TAT rate remains at 9.25%, the County of Kauai will receive approximately \$10 million in additional revenue for much needed County services.

For Fiscal Year 2014-2015, it is assumed that the County of Kauai will be facing an \$8.9 million shortfall in the General Fund alone. A major contributor to this shortfall is due to the Collective Bargaining increases which were approved this past year. Because of the lack of funding for the upcoming Fiscal Year, the County is faced with seeking additional revenue sources just to keep afloat.

Last year, an analysis of Visitor Related Expenses was conducted by Kauai County Councilmembers, and they concluded that for Fiscal Year 2011-2012, the County of Kauai expended approximately \$44 million on visitor related expenses. Visitor expenses include services for public safety (i.e. Fire and Police), parks (i.e.

Chair Ige, and Committee Members
March 25, 2014
RE: HB 1671, HD1, SD 1
Page 2

maintenance of County parks, the Wailua Golf Course, etc.), Public Works (i.e. road maintenance, solid waste, etc.), and others.

On any given day, visitors comprise of approximately 21% of the population on Kaua'i. The visitor industry is one of our primary economic engines; and to maintain our loyal visitor base, we need to meet their high demand and expectations. Additional revenue received from the TAT would greatly assist the County in meeting the increasing demand and expectations of our visitors and citizens alike.

For the reasons stated above, I respectfully request that the Committee approve this measure. Again, thank you for this opportunity to submit testimony.

Sincerely,

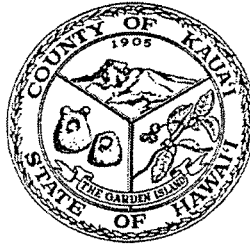
A handwritten signature in black ink, appearing to read "JAY FURFARO", written over a horizontal line.

JAY FURFARO
Council Chair, Kaua'i County Council

AB:lc

COUNTY COUNCIL

Jay Furfaro, Chair
Mason K. Chock, Sr., Vice Chair
Tim Bynum
Gary L. Hooser
Ross Kagawa
Mel Rapozo
JoAnn A. Yukimura



OFFICE OF THE COUNTY CLERK

Ricky Watanabe, County Clerk
Jade K. Fountain-Tanigawa, Deputy County Clerk

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Fax (808) 241-6349
Email cokcouncil@kauai.gov

Council Services Division
4396 Rice Street, Suite 209
Līhu'e, Kaua'i, Hawai'i 96766

March 25, 2014

TESTIMONY OF MASON K. CHOCK, SR.
COUNCIL VICE CHAIR, KAUAI COUNTY COUNCIL
ON

HB 1671, HD1, SD1, RELATING TO TRANSIENT ACCOMMODATIONS TAX
Committee on Ways and Means
Friday, March 28, 2014
9:15 a.m.
Conference Room 211

Dear Chair Ige and Committee Members:

Thank you for this opportunity to submit testimony in support of HB 1671, HD1, SD1, relating to the Transient Accommodations Tax. My testimony is submitted in my individual capacity as Council Vice Chair of the Kaua'i County Council.

HB 1671, HD1, SD1, in its current form will remove the cap on the Counties share of the Transient Accommodations Tax (TAT) revenues, which will be based on a percentage of TAT collected. Prior to 2011, the Counties were receiving 44.8% of the revenues collected for TAT. The revenue was then capped at \$93 million, pursuant to Act 103, Session Laws of Hawai'i (SLH) 2011, and then made permanent by Act 161, SLH 2013. Capping the Counties share of the TAT has resulted in a tremendous amount of lost revenue for the counties, which is evident, as the amount of TAT revenue has increased each year.

It is assumed that the County of Kaua'i will face an approximate \$8.9 million shortfall in the General Fund for Fiscal Year 2014-2015 alone. A major contributor to this shortfall is due to the Collective Bargaining increases approved this past year. Due to the shortfall, the County is faced with the need to seek additional revenue sources just to keep afloat this upcoming Fiscal Year.

Each year the Counties are responsible for providing fundamental services to the public, which include public safety, road maintenance, the up keep of County park facilities, and many more. As visitors comprise approximately 21% of the population on Kaua'i each day, it is important to support demand in order to maintain our loyal visitor base.

Chair Ige, and Committee Members

RE: HB 1671, HD1, SD1, Relating to Transient Accommodations Tax

March 25, 2014

Page 2

Currently, the County of Kaua'i receives \$13,485,000 of TAT revenues from the State. If the cap for the Counties is removed, and if the TAT rate remains at 9.25%, the County of Kaua'i will receive much needed revenue to continue providing government services for our visitors and citizens alike.

For the reasons stated above, I respectfully request that this Committee approve HB 1671, HD1, SD1. Again, thank you for this opportunity to submit testimony.

Sincerely,

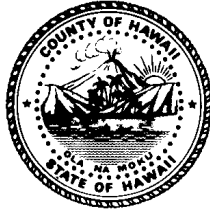
A handwritten signature in black ink, appearing to read 'Mason K. Chock, Sr.', written in a cursive style.

MASON K. CHOCK, SR.

Council Vice Chair, Kaua'i County Council

AB:mn

William P. Kenoi
Mayor



Walter K.M. Lau
Managing Director

Randall M. Kurohara
Deputy Managing Director

County of Hawai'i Office of the Mayor

25 Aupuni Street, Suite 2603 • Hilo, Hawai'i 96720 • (808) 961-8211 • Fax (808) 961-6553
KONA: 74-5044 Ane Keohokalole Hwy., Bldg. C • Kailua-Kona, Hawai'i 96740
(808) 323-4444 • Fax (808) 323-4440

March 28, 2014

The Honorable David Y. Ige, Chair
and Members of the Senate Committee on Ways and Means
Hawai'i State Capitol, Room 211
Honolulu, Hawai'i 96813

RE: House Bill 1671, HD 1 SD 1 RELATING TO TRANSIENT ACCOMMODATIONS TAX

Aloha, Chair Ige and Committee Members:

Mahalo you for this opportunity to express our strong support of HB 1671, HD 1 SD 1 that removes the current cap on transient accommodations tax revenues to be distributed to the counties and establishes the distribution of these revenues as a percentage of TAT collected.

From the time of the establishment of the TAT in 1986, the Legislature planned to make the counties beneficiaries of the hotel room tax because lawmakers recognized the importance of county facilities and services to support and enhance the visitor experience. It was always understood that the costs of mass tourism are mostly carried by the counties.

When a visitor calls for law enforcement help, a county police officer responds. When the visitor gets into trouble in the ocean, county lifeguards or firefighters respond. When the visitor uses sewer and water service, those are county services. The visitors drive on county roads, and use county parks. As the visitor count grows, the visitors' demands on county resources also grow.

We now have more than one million tourists visiting the County of Hawai'i annually, and the cost of delivering service rises each year. It is critically important that TAT revenues to the counties increase as the visitor count increases. We spent approximately \$39.5 million on visitor related expenses for fiscal year 2011-2012. These expenses include services for public safety, sanitation, the upkeep of county park facilities, and many more. As visitors total approximately 14% of our island's daily population, it is important to support demand and provide a high quality visitor experience.

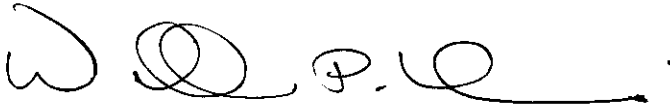
The Honorable David Y. Ige
Page 2
March 28, 2014

Currently, the County of Hawai`i receives approximately \$17.2 million of TAT revenues from the state. If the cap for the counties is removed, the result will be revenue that will allow us to deliver the much needed services that our residents and visitors require and expect.

The cap in TAT revenues to the counties that was imposed in 2011 was always understood to be a temporary measure. We respectfully ask that your committee remove the cap on the counties' share of TAT revenues.

Mahalo for your consideration.

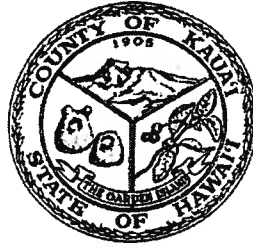
Aloha,

A handwritten signature in black ink, appearing to read 'W. P. Kenoi', with a long horizontal line extending to the right.

William P. Kenoi, MAYOR

COUNTY COUNCIL

Jay Furfaro, Chair
Nadine K. Nakamura, Vice Chair
Tim Bynum
Gary L. Hooser
Ross Kagawa
Mel Rapozo
JoAnn A. Yukimura



OFFICE OF THE COUNTY CLERK

Ricky Watanabe, County Clerk
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Telephone (808) 241-4188
Fax (808) 241-6349
Email cokcouncil@kauai.gov

Council Services Division
4396 Rice Street, Suite 209
Lihu'e, Kaua'i, Hawai'i 96766

March 25, 2014

**TESTIMONY OF MEL RAPOZO
COUNCILMEMBER, KAUAI COUNTY COUNCIL**

ON

H.B. NO.1671, HD 1, SD 1, RELATING TO TRANSIENT ACCOMIDATIONS TAX

Committee on Ways and Means

Friday, March 28, 2014

9:15 a.m.

Conference Room 211

Dear Chair Ige and Committee Members:

Thank you for this opportunity to submit testimony in support of HB 1671, HD1, SD 1, relating to the Transient Accommodations Tax. My testimony is submitted in my individual capacity as Councilmember of the Kaua'i County Council.

HB 1671, HD1, SD 1, in its current form will remove the cap on the Counties share of the Transient Accommodations Tax (TAT) revenues, which will be based on the distribution of revenues on the percentage of TAT collected.

Prior to 2011, the Counties were receiving 44.8% of the revenues collected for TAT. It was then capped at \$93 million, pursuant to Act 103, Session Laws of Hawai'i (SLH) 2011, and then made permanent by Act 161, SLH 2013. This has resulted in millions of dollars of lost revenue to the Counties, and is evident in the tremendous increase in TAT collections each year.

For Fiscal Year 2014-2015, it is assumed that the County of Kaua'i will be facing an \$8.9 million shortfall in the General Fund alone. A major contributor to this shortfall is due to the Collective Bargaining increases which were approved this past year. Because of the lack of funding for the upcoming Fiscal Year, the County is faced with seeking additional revenue sources just to keep afloat.

Last year, an analysis of the lack of funding for the upcoming Fiscal Year, Visitor Related Expenses was conducted by Kaua'i County Councilmembers, and they concluded that for Fiscal Year 2011-2012, the County of Kaua'i expended approximately \$44 million on visitor related expenses alone. Visitor expenses include services for public safety (i.e. Fire and Police), parks (i.e. maintenance of County parks, the Wailua Golf Course, etc.), Public Works (i.e. road maintenance, solid waste, etc.) and others. As visitors comprise approximately 21% of the population on Kaua'i each day, it is important to meet their expectations in order to maintain our loyal visitor base.

Chair Ige, and Committee Members

March 25, 2014

RE: HB 1671, HD1, SD 1

Page 2

Currently, the County of Kaua'i receives \$13,485,000 of TAT revenues from the State. If the cap for the Counties is removed, and if the TAT rate remains at 9.25%, the County of Kaua'i will receive much needed revenue to continue providing government services for our visitors and citizens alike.

For the reasons stated above, I respectfully request the Committee to approve this measure. Again, thank you for this opportunity to submit testimony.

Sincerely,

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

MEL RAPOZO

Councilmember, Kaua'i County Council

AB:lc

COUNTY COUNCIL

Jay Furfaro, Chair
Mason K. Chock, Sr., Vice Chair
Tim Bynum
Gary L. Hooser
Ross Kagawa
Mel Rapozo
JoAnn A. Yukimura



OFFICE OF THE COUNTY CLERK

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Fax (808) 241-6349
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Council Services Division
4396 Rice Street, Suite 209
Lihu'e, Kaua'i, Hawai'i 96766

March 25, 2014

TESTIMONY OF ROSS KAGAWA
COUNCILMEMBER, KAUA'I COUNTY COUNCIL
ON

HB 1671, HD1, SD1 RELATING TO TRANSIENT ACCOMMODATIONS TAX
Committee on Ways and Means
Friday, March 28, 2014
9:15 a.m.
Conference Room 211

Dear Chair Ige and Committee Members:

Thank you for this opportunity to submit testimony in support of HB 1671, HD1, SD1 relating to the Transient Accommodations Tax. My testimony is submitted in my individual capacity as a Councilmember of the Kaua'i County Council.

Prior to 2011, the Counties were receiving 44.8% of the revenues collected for TAT. It was then capped at \$93 million, pursuant to Act 103, Session Laws of Hawai'i (SLH) 2011, and then made permanent by Act 161, SLH 2013. This has resulted in millions of dollars of lost revenue to the Counties, and is evident in the tremendous increase in TAT collections each year.

It is estimated that the County of Kaua'i will assume an approximate \$8.9 million shortfall in the General Fund for Fiscal Year 2014-2015 alone. A major contributor to this shortage is from the Collective Bargaining increases approved this past year. Because of this shortfall, the County is faced with seeking additional revenue sources just to keep afloat for the upcoming Fiscal Year.

Although we are faced with fiscal challenges, each County is still responsible for providing fundamental government services, as it is our duty to protect the health, safety and welfare of the public. Services include fire, police, and maintenance of County parks and roads. All services provided by the County benefits not only residents, but visitors as well, who comprise of approximately 21% of Kaua'i's population each day.

If the cap for the Counties is removed, and if the TAT rate remains at 9.25%, the County of Kaua'i will receive much needed revenue to continue providing government services for our visitors and citizens alike. It will also adjust the distribution of revenues impartially to correspond with the fluctuation in revenues received from the TAT.

Chair Ige and Committee Members

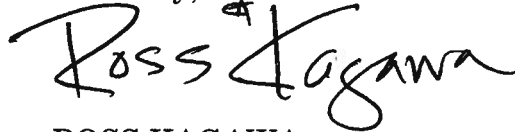
RE: HB 1671, HD1, SD1 Relating to Transient Accommodations Tax

March 25, 2014

Page 2

For the reasons stated above, I respectfully request that this Senate Committee approve this measure. Again, thank you for this opportunity to submit testimony.

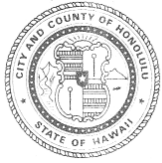
Sincerely,

A handwritten signature in black ink that reads "Ross Kagawa". The signature is written in a cursive, flowing style. The word "Ross" is written in a larger, more prominent script, and "Kagawa" follows in a similar but slightly smaller script. There is a small mark above the letter 'a' in "Kagawa".

ROSS KAGAWA

Councilmember, Kaua'i County Council

AB:lm



CITY COUNCIL
CITY AND COUNTY OF HONOLULU
530 SOUTH KING STREET, ROOM 202
HONOLULU, HAWAII 96813-3065
TELEPHONE: (808) 768-5010 • FAX: (808) 768-5011

STANLEY CHANG

Councilmember – District IV
Phone: (808) 768-5004
Fax: (808) 768-5000
cclldistrict4@honolulu.gov
www.honolulu.gov/council/d4

March 25, 2014

TESTIMONY OF STANLEY CHANG
CONCILMEMBER FOR THE CITY AND COUNTY OF HONOLULU

On

H.B. No. 1671, HD1, SD1 RELATING TO TRANSIENT ACCOMMODATIONS TAX

Committee on Ways and Means

Friday, March 28, 2014

9:15 a.m.

Conference Room 211

Dear Chair Ige and Committee Members:

Thank you for allowing me the opportunity to submit testimony in support of H.B. 1671, HD1, SD1 Relating to Transient Accommodations Tax in my capacity as Councilmember of the City and County of Honolulu.

H.B. 1671, HD1, SD1 removes the current cap on Transient Accommodations Tax (TAT) revenues to be distributed to the counties and establishes the distribution of these revenues as a percentage of TAT collected.

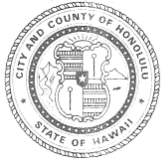
The TAT funds that the City receives are critical to City functions. The City provides police, fire, ocean safety, and bus services on Oahu, all of which are utilized by visitors. The City also maintains attractions such as parks, municipal golf courses, the Honolulu Zoo, and the Hanauma Bay Preservation Park. Therefore, capping the level of TAT distributed to the counties limits Honolulu's ability to provide services to both residents and visitors alike. The City spends \$74 million on visitor industry services and helps generate \$257 million, nearly 80% of the total TAT collected. The current cap limits the City to relieving no more than \$41 million, significantly less than it spends and generates each year.

For these reasons, I respectfully ask for your favorable passage of H.B. 1671, HD1, SD1 Relating to Transient Accommodations Tax, and thank the Committee for allowing me to provide testimony.

Sincerely,

A handwritten signature in black ink, appearing to read "Stanley Chang".

Stanley Chang



STANLEY CHANG

Councilmember – District IV

Phone: (808) 768-5004

Fax: (808) 768-5000

ccldistrict4@honolulu.gov

www.honolulu.gov/council/d4

CITY COUNCIL

CITY AND COUNTY OF HONOLULU

530 SOUTH KING STREET, ROOM 202

HONOLULU, HAWAII 96813-3065

TELEPHONE: (808) 768-5010 • FAX: (808) 768-5011

Councilmember, District IV

From: mailinglist@capitol.hawaii.gov
To: [WAM Testimony](#)
Cc: photogolfskate@gmail.com
Subject: *Submitted testimony for HB1671 on Mar 28, 2014 09:15AM*
Date: Wednesday, March 26, 2014 8:17:10 PM

HB1671

Submitted on: 3/26/2014

Testimony for WAM on Mar 28, 2014 09:15AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Brandon LaRue	Paia Youth & Cultural Center	Support	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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Vice-Chair
Robert Carroll

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Michael P. Victorino

Council Members
Elle Cochran
Donald G. Couch, Jr.
Stacy Crivello
Don S. Guzman
G. Riki Hokama
Mike White

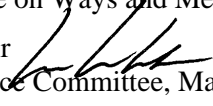


Director of Council Services
David M. Raatz, Jr., Esq.

COUNTY COUNCIL
COUNTY OF MAUI
200 S. HIGH STREET
WAILUKU, MAUI, HAWAII 96793
www.maui-county.gov/council

March 27, 2014

TO: The Honorable David Y. Ige, Chair
Senate Committee on Ways and Means

FROM: Mike White, Chair 
Budget and Finance Committee, Maui County Council

SUBJECT: **HEARING OF MARCH 28, 2014; TESTIMONY IN SUPPORT OF HB 1671, HD1,
SD1 RELATING TO TRANSIENT ACCOMMODATIONS TAX**

Thank you for the opportunity to testify **in support** of this important measure. The purpose of this bill is to remove the current cap on transient accommodations tax ("TAT") revenues distributed to the counties and establish the distribution of these revenues as a percentage of TAT collected.

The Maui County Council has not had the opportunity to take a formal position on this matter. Therefore, I am providing this testimony in my capacity as an individual member of the Council.

In addition to serving as the Chair of the Maui County Council Budget and Finance Committee, my testimony is also informed by my visitor industry experience, as General Manager of the Kaanapali Beach Hotel for 28 years, and through my service as a State Legislator from 1993 to 1998.

I support this measure for the following reasons:

1. The TAT cap was understood to be a temporary measure to assist the State with a budget shortfall because of a 9.8 per cent drop in tax revenues in 2009. Beginning in 2010, the State's revenue collections began to recover.

Beginning in July 2011, the State capped the counties' share of the TAT, at a time when the counties' property values had dropped significantly and property tax collections followed.

As shown in the table below, FY 2013 tax revenues for the State were \$1.6 billion higher, an increase of 32.4 per cent, over FY 2009 revenues. During the same period, City and County of Honolulu revenues have remained flat, and Neighbor Island counties have seen continued revenue declines.

The bottom line is the State made use of the TAT revenues when it needed them and has not responded to the counties' financial needs as the State's fortunes improved.

Change in total revenues collected
Comparing FY 2013 to FY 2009

	\$	%
State	\$1,602,257,710	32.4%
C&C	\$5,100,000	0.6%
Maui	-\$9,226,000	-4.2%
Hawaii	-\$30,577,000	-13.5%
Kauai	-\$20,412,000	-19.7%

Sources:

- For State revenues: Monthly tax collection reports, State of Hawaii Department of Taxation
http://tax.hawaii.gov/stats/a5_3txcolrpt/
- For county valuations and revenues: Real Property Valuation reports, City and County of Honolulu Department. of Budget and Fiscal Services, Real Property Assessment Division
<http://www.realpropertyhonolulu.com/>

2. The Neighbor Islands have had more difficulty rebounding from the impact of the economic recession. Visitor industry revenues per available room have increased by 35.7 per cent on Oahu but are still flat or below 2007 values on the Neighbor Islands.

Change in revenue per available room
Comparing FY 2013 to FY 2007

	<i>Revenue per available room</i>		<i>Change</i>	
	2007	2013 (est.)	\$	%
Oahu	\$129.71	\$174.94	\$45.23	34.9%
Maui	\$200.61	\$199.88	-\$0.73	-0.4%
Hawaii	\$136.78	\$130.18	-\$6.60	-4.8%
Kauai	\$155.66	\$155.38	-\$0.28	-0.2%
<i>Statewide</i>	<i>\$150.49</i>	<i>\$173.03</i>	<i>\$22.54</i>	<i>15.0%</i>

Source:

- Revenue per Available Room: "Hawaii Hotel Flash Report" provided by Hospitality Advisors, LLC

Additionally, real property tax valuations are 5.5 per cent lower than 2009 for Oahu, 25.1 per cent lower for Maui, 16.2 per cent lower for Hawaii, and 18.0 per cent lower for Kauai. Most counties have increased tax rates to offset revenue shortfalls.

3. Local governments bear a significant responsibility for providing the array of services and infrastructure necessary to support a vibrant visitor industry. For that reason, TAT or hotel room taxes elsewhere are municipal taxes.

The table below shows TAT estimated generated and received by the counties for FY 2013.

TAT earned and received by the counties

	<i>FY 2013 TAT, \$ Millions</i>		
	<i>Generated by the counties (est.)</i>	<i>Received, with cap</i>	<i>Would receive, without cap</i>
C&C	176.7	41.0	72.8
Maui	115.4	21.2	37.6
Hawaii	40.1	17.3	30.7
Kauai	37.0	13.5	23.9

The State is urged to view the removal of the TAT cap not as a loss, but rather the *return* of revenues the counties were promised, have relied on, and have responsibly budgeted for more than 20 years.

For the foregoing reasons, I **support** this measure.



HAWAI'I LODGING & TOURISM
A S S O C I A T I O N

Testimony of George Szigeti
President & CEO
HAWAI'I LODGING & TOURISM ASSOCIATION
Committee on Ways and Means
Hearing on March 28, 2014, 9:15 a.m.
House Bill 1671 HD1 SD1 Relating to Transient Accommodations Tax

Dear Chair Ige, Vice Chair Kidani, and Members of the Committee. My name is George Szigeti and I am the President and CEO of the Hawai'i Lodging & Tourism Association.

The Hawai'i Lodging & Tourism Association (HLTA) is a statewide association of hotels, condominiums, timeshare companies, management firms, suppliers, and other related firms that benefit from and strengthen Hawai'i's visitor industry. Our membership includes over 150 lodging properties, representing over 48,000 rooms, and approximately 470 other Allied members. The lodging industry alone employs over 38,000 workers across the state of Hawai'i and generated over \$5.7 billion in annual sales in 2012. As part of the broader visitor industry – which employees 1/6 of all workers and 1/5 of those in the private sector, and generated \$14.4 billion in visitor spending in 2012 – we represent one of Hawai'i's largest industries and a critical sector of the economy.

On behalf of HLTA, permit me to offer these comments regarding HB1671 HD1 SD1, which would remove the current \$93 million cap on Transient Accommodations Tax revenues distributed to the counties and replace with a percentage.

HLTA believes the county governments should receive a stable and equitable level of funding support from the State government. This is important because the counties must absorb much of the infrastructure costs created by the community and visitor industry. In 1990, the Legislature recognized this fact and initiated the distribution of TAT revenues to the counties. Originally, the amount of TAT revenues allocated to the counties was based on a percentage. It was only recently that the \$93 million cap was created - even though the growing number of visitors has put greater demands on many of the county services.

HLTA understands that the State must also use TAT revenues to fund various programs that support and enhance Hawai'i as a destination; however, we ask that, as you discuss funding via HB1671 HD1 SD1, this Committee consider the important infrastructure and services provided by the counties to support the visitor industry.

Thank you for this opportunity to comment.

From: mailinglist@capitol.hawaii.gov
To: [WAM Testimony](#)
Cc: jkealoha@ilwulocal142.org
Subject: Submitted testimony for HB1671 on Mar 28, 2014 09:15AM
Date: Wednesday, March 26, 2014 4:56:22 PM
Attachments: [2014 HB1671hd1sd1 TAT for counties WAM.docx](#)

HB1671

Submitted on: 3/26/2014

Testimony for WAM on Mar 28, 2014 09:15AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Joanne Kealoha	ILWU Local 142	Support	No

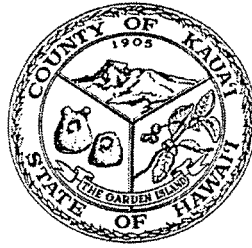
Comments:

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COUNTY COUNCIL

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Council Services Division
4396 Rice Street, Suite 209
Līhu'e, Kaua'i, Hawai'i 96766

March 25, 2014

**TESTIMONY OF JOANN A. YUKIMURA
COUNCILMEMBER, KAUAI COUNTY COUNCIL**

ON

H.B. NO.1671, HD 1, SD 1, RELATING TO TRANSIENT ACCOMIDATIONS TAX

Committee on Ways and Means

Friday, March 28, 2014

9:15 a.m.

Conference Room 211

Dear Chair Ige and Committee Members:

I would like to express my strong support for removing the existing cap on the Transient Accommodation Tax (TAT) revenues that are allocated to the counties.

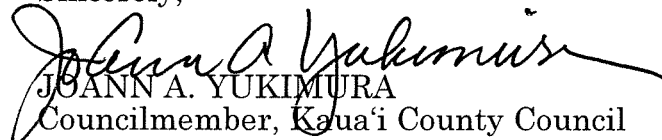
The counties bear the brunt of providing the services and infrastructure that accommodate visitors: police, rescue, lifeguard, emergency services during times of disaster, as well as parks, water, roads, solid waste, and public transportation, to name a few. The present allocation of TAT revenues to the counties is helpful but not enough by a long shot. In order to properly provide for our visitors, while not short-changing our residents, we need the additional assistance.

The additional resources would not just support the counties – it will support our visitor industry. If visitors are caught in traffic, or become victims of crime, the diminishment of their vacation experience will reflect poorly on Hawai'i, and result in harm to our visitor industry in the long run. Giving support to the counties will enable us at the county level to better serve the visitors, thus providing a better visitor experience and a stronger visitor industry.

The counties cannot be expected to pay from their resources to offset visitor impacts. We do not have the excise tax capacity to recapture the costs. This means that our real property taxpayers are paying visitor impacts on county services and infrastructure. If tourism is truly beneficial for Hawai'i, it must pay its way. It is logical and just, that the TAT monies be granted to the counties to offset visitor impacts on the community.

For the reasons stated above, I respectfully ask that this Committee approve HB 1671, HD 1, SD 1. Again, thank you for this opportunity to provide my comments.

Sincerely,


JOANN A. YUKIMURA
Councilmember, Kaua'i County Council



Maui Hotel & Lodging
ASSOCIATION

Testimony of
Lisa H. Paulson
Executive Director
Maui Hotel & Lodging Association
on
HB1671 HD1 SD1
Relating To Transient Accommodations Tax

COMMITTEE ON WAYS AND MEANS

Friday, March 28, 2014, 9:15am

Room 211

Dear Chair Ige, Vice Chair Kidani, and Members of the Committees,

The Maui Hotel & Lodging Association (MHLA) is the legislative arm of the visitor industry. Our membership includes over 150 property and allied business members in Maui County – all of whom have an interest in the visitor industry. Collectively, MHLA's membership employs over 20,000 local residents and represents over 19,500 rooms. The visitor industry is the economic driver for Maui County. We are the largest employer of residents on the Island - directly employing approximately 40% of all residents (indirectly, the percentage increases to 75%).

MHLA would like to offer comments on HB1671 HD1 SD1 which removes the current cap on transient accommodations tax revenues to be distributed to the counties and establishes the distribution of these revenues as a percentage of TAT collected.

MHLA believes the county governments should receive a stable and equitable level of funding support from the State. The counties must absorb much of the infrastructure costs created by the community and visitor industry. It was only recently that the \$93 million cap was created - even though the growing number of visitors has put greater demands on many of the county services.

MHLA understands that the State must also use TAT revenues to fund various programs that support and enhance Hawai'i as a destination; however, we ask that, as you discuss funding via HB1671 HD1 SD1, this Committee consider the important infrastructure and services provided by the counties to support the visitor industry.

Thank you for this opportunity to comment.

TAXBILLSERVICE

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Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: TRANSIENT ACCOMMODATIONS, Distribution to counties

BILL NUMBER: HB 1671, SD-1

INTRODUCED BY: Senate Committees on Tourism and Public Safety

BRIEF SUMMARY: Amends HRS section 237D-6.5(b)(3) to provide that transient accommodations tax (TAT) revenues shall be distributed to the counties on a percentage basis (___%) rather than using a fixed amount of \$93 million.

EFFECTIVE DATE: July 1, 2050

STAFF COMMENTS: The legislature in Act 103, SLH 2011, due to the dire financial condition of the state at the time, limited the distribution of TAT revenues to the counties at \$93 million, with the residual TAT revenue being deposited into the state general fund. Although Act 103 provided that the \$93 million limitation was to sunset on June 30, 2015, the legislature in Act 161, SLH 2013, changed the distribution of TAT revenue from a percentage basis to a specific dollar amount and not only left the \$93 million limit of TAT revenues distributed to the counties, but made it (and the 9.25% TAT rate) permanent by repealing the June 30, 2015 sunset date.

In their testimony to the prior committees, the counties argued that they wanted a more stable revenue base. Well, as one representative pointed out, a fixed dollar amount per year is stable. What the counties really want is more money, and a lot of it.

What this proposal underscores is the fact that county governments have grown well beyond their means and are searching for more available revenue. The counties have justified their share of the TAT by rationalizing that the funds go to pay for the impact visitors have on county facilities and services; however, at the same time all four counties have managed to impose much higher tax rates on hotel/resort real property and in one case a special rate on resort time share property.

The search for more and higher taxes has to stop somewhere. Both levels of government need to resize their operations and set priorities for what limited resources taxpayers can share with government.

Digested 3/27/14

From: mailinglist@capitol.hawaii.gov
To: [WAM Testimony](#)
Cc: ecs@maui.net
Subject: Submitted testimony for HB1671 on Mar 28, 2014 09:15AM
Date: Thursday, March 27, 2014 8:56:51 AM

HB1671

Submitted on: 3/27/2014

Testimony for WAM on Mar 28, 2014 09:15AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Elizabeth C Starr	Individual	Support	No

Comments: The community members of Maui County each, in one way or another, have earned the revenue raised by the TAT. Our efforts, compromises, sacrifices impacted by tourism on these delicate and precious islands, should be rewarded and supported by the return of the TAT accumulated to the County of Maui for our many budget needs, for tourist and resident benefits alike.

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From: mailinglist@capitol.hawaii.gov
To: [WAM Testimony](#)
Cc: gbourne@hawaii.rr.com
Subject: Submitted testimony for HB1671 on Mar 28, 2014 09:15AM
Date: Wednesday, March 26, 2014 1:48:04 PM

HB1671

Submitted on: 3/26/2014

Testimony for WAM on Mar 28, 2014 09:15AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Geoffrey Bourne	Individual	Support	No

Comments: Hello, my name is Geoffrey Bourne, I live in Maui County. I support removal of the CAP on the TAT Tax. If this CAP were to be lifted Maui County would have more funds for important Maui County specific concerns such as adequate funding of youth centers, drug and alcohol treatment centers, maintenance and improvement of County parks and beaches, hiring of additional and needed lifeguards, improvement and maintenance of County roads, etc. Since the overall economy of Hawai'i has dramatically improved since 2011 it seems that the original purpose of this TAX has been meant (to recover from large State of Hawai'i budget shortfalls). Again, please remove the CAP on the TAT. Mahalo, Geoffrey Bourne

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To: [WAM Testimony](#)
Cc: mmurasko@aol.com
Subject: Submitted testimony for HB1671 on Mar 28, 2014 09:15AM
Date: Wednesday, March 26, 2014 2:27:52 PM

HB1671

Submitted on: 3/26/2014

Testimony for WAM on Mar 28, 2014 09:15AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Matthew Murasko	Individual	Support	No

Comments: Hello, my name is Matthew Murasko, I live in Maui County. I support removal of the CAP on the TAT Tax. If this CAP were to be lifted Maui County would have more funds for important Maui County specific concerns such as adequate funding of youth centers, drug and alcohol treatment centers, maintenance and improvement of County parks and beaches, hiring of additional and needed lifeguards, improvement and maintenance of County roads, etc. Since the overall economy of Hawai'i has dramatically improved since 2011 it seems that the original purpose of this TAX has been meant (to recover from large State of Hawai'i budget shortfalls). Again, please remove the CAP on the TAT. Matthew Murasko in Haiku

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From: mailinglist@capitol.hawaii.gov
To: [WAM Testimony](#)
Cc: susunwhite@gmail.com
Subject: Submitted testimony for HB1671 on Mar 28, 2014 09:15AM
Date: Wednesday, March 26, 2014 1:49:54 PM

HB1671

Submitted on: 3/26/2014

Testimony for WAM on Mar 28, 2014 09:15AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Susun White	Individual	Support	No

Comments: Hello, my name is Susun White, I live in Maui County. I support removal of the CAP on the TAT Tax. If this CAP were to be lifted Maui County would have more funds for important Maui County specific concerns such as adequate funding of youth centers, drug and alcohol treatment centers, maintenance and improvement of County parks and beaches, hiring of additional and needed lifeguards, improvement and maintenance of County roads, etc. Since the overall economy of Hawai'i has dramatically improved since 2011 it seems that the original purpose of this TAX has been meant (to recover from large State of Hawai'i budget shortfalls). Again, please remove the CAP on the TAT. Mahalo.Susun White

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To: [WAM Testimony](#)
Cc: billy@mauirealestate.com
Subject: Submitted testimony for HB1671 on Mar 28, 2014 09:15AM
Date: Wednesday, March 26, 2014 5:32:57 PM

HB1671

Submitted on: 3/26/2014

Testimony for WAM on Mar 28, 2014 09:15AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
William Jalbert	Individual	Support	No

Comments: Hello, my name is William Jalbert, I live in Maui County. I support removal of the CAP on the TAT Tax. If this CAP were to be lifted Maui County would have more funds for important Maui County specific concerns such as adequate funding of youth centers, drug and alcohol treatment centers, maintenance and improvement of County parks and beaches, hiring of additional and needed lifeguards, improvement and maintenance of County roads, etc. Since the overall economy of Hawai'i has dramatically improved since 2011 it seems that the original purpose of this TAX has been meant (to recover from large State of Hawai'i budget shortfalls). Again, please remove the CAP on the TAT. Sincerely, William Jalbert

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