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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 Tourism and International Affairs
Hearing on March 18, 2015, 2:45 P.M.
HB 1327 HD1 Relating to Real Property

Dear Chair Kahele, Vice Chair English 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 50,000 rooms, and over 400 other Allied members. The visitor industry was responsible for generating \$14.9 billion in visitor spending in 2014 and supported 170,000 jobs statewide – we represent one of Hawai'i's largest industries and a critical sector of the economy.

On behalf of HLTA, permit me to offer this testimony regarding HB 1327 H.D. 1 Relating to Real Property, which permits a taxpayer who provides transient accommodations on real property leased from a related entity to claim a general excise tax deduction from the amount of gross proceeds or gross income received from its sublease of the real property.

HLTA **supports** HB1327 H.D. 1 because it would extend the deduction for real property leasing transaction in the case where a transient accommodation is on real property leased from a related entity. There are hotel owners who use affiliates to own, lease, and hire management in which case there are multiple opportunities for the GET to apply to a revenue stream. What this measure offers is to treat hotel operators (given they pay rent to an affiliate) and guests the same way as a tenant and subtenant, whereas the sublease deduction would apply. This will ultimately include hotels in the endeavor to reduce the unfairness in double taxation upon revenue streams between related entities.

We urge your favorable consideration of this bill.

Thank you for this opportunity to testify.