



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

Testimony of

Mufi Hannemann
President and CEO
Hawai'i Lodging & Tourism Association

Committee on Ways and Means
Senate Bill 2693 SD1: Relating to Taxation

Chair Tokuda, Vice Chair Dela Cruz, and members of the committee on Ways and Means:

The Hawai'i Lodging & Tourism Association supports the intent of Senate Bill 2693 SD1, which proposes to allow transient accommodations brokers to register as tax collection agents to collect and remit general excise and transient accommodations taxes.

It is the HLTA's goal to establish a level playing field for all visitor accommodations, from the traditional hospitality businesses to the alternative accommodations offered online.

There are more than 25,000 alternative accommodations in the Hawaiian Islands competing with hotels, resorts, timeshares, and bed-and-breakfasts, except that the majority of them are most likely avoiding our 9.25 percent transient accommodations and general excise taxes. Rather than outlaw these transient vacation units, we believe the state and county governments should collaborate on collecting the millions of dollars in taxes now being avoided. This initiative is the HLTA's top legislative priority, and Senate Bill 2693 SD1 could be a major step forward in that direction.

There are a couple of concerns that we want to address with the way the bill is presently written:

- 1) The measure would exempt brokers from requirements to provide documentation to the Department of Taxation on rental agreements formed with individual owners in relation to current GET and TAT laws.
- 2) According to this measure's current form, individual owners will be able to post the registration I.D. number of the transient accommodations broker tax collection agent. This creates the potential for a loophole for individual owners to advertise and rent without a tax license, and enabling brokers to not have to provide proper documentation to DOTAX.

We propose that these concerns be addressed with the appropriate amendments. We ask that the requirement remain for registered transient accommodations broker tax collection agents to provide rental agreement information to the Department of Taxation. Secondly, we ask that the requirement remain for individual owners to furnish their own GET and TAT registration I.D.s while advertising their units. We believe these amendments help achieve openness and transparency and help us move towards a more level playing field.

We support the Department of Taxation's modernization project that will identify non-compliant TVUs and collect the taxes owed. It is important that this legislation provide the proper authority for DOTAX to be able to implement and enforce the collection of these taxes.

Mahalo

To: Sen. Jill Tokuda and Members of the Senate Committee on Ways and Means

Date: February 25, 2016

Time: 1:00pm

Place: Conference Room 211, State Capitol

From: Justin J. Pequeño

Re: Senate Bill 2693 SD1: Relating to Taxation

Chair Tokuda and committee members,

I am a civically active and engaged resident of Hawai‘i and I am writing to you in **strong opposition** to SB2693 SD1.

First, there is an extreme housing shortage throughout Hawai‘i that the short-term rental market is exacerbating. Many homes – FULL homes, are taken off the long-term rental market and used as illegal vacation rentals that price out and force ‘ohana from neighborhoods their families have lived in for generations. Renting out full homes **DOES NOT** “help families make ends meet” or “generate supplemental income,” but instead keeps local families out of homes.

Second, SB2693 SD1 does not address the fact that most “operators and plan managers” are **conducting illegal business**. Current laws make it very clear that a homeowner can operate a vacation rental only if they obtain a permit through their respective County office. However, the number of advertised vacation rentals has quickly outpaced the number of permits allowed (Here is an article in the Civil Beat that goes more into detail regarding specific numbers: <http://www.civilbeat.com/2014/12/report-indicates-illegal-vacation-rentals-far-outnumber-permitted-ones/>). It seems that this bill is making a deal with “transient accommodations brokers” such as VRBO and AirBnB that are **facilitating criminal activity**.

Many neighborhoods are losing their neighbors. Areas like Mākaha, Kailua, Kāne‘ohe, Hau‘ula, Hawai‘i Kai, Waikīkī and others, each have several roads with many houses that are no longer homes because of these illegal vacation rentals. I urge you to do what is right by your constituents and by your State and defeat this bill.

Mahalo for your consideration,

Justin Pequeño