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# A BILL FOR AN ACT

RELATING TO THE TRANSIENT ACCOMMODATIONS TAX.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. The legislature finds that the transient  
2 accommodations tax is tied to the State's premier industry,  
3 tourism. In that regard, the viability of the tourism industry,  
4 the reimbursement of tourism-related expenditures to affected  
5 jurisdictions, and the appropriate allocation of transient  
6 accommodations tax as a source of revenue for the State and the  
7 county governments are a matter of statewide concern. The  
8 transient accommodations tax has evolved, and its structure and  
9 frequent amendment, combined with the cyclical nature of the  
10 visitor industry and the tax revenues it generates, has resulted  
11 in ongoing discussions among the various stakeholders, including  
12 the State, counties, visitor industry, Hawaii tourism authority,  
13 and other recipients or potential recipients of transient  
14 accommodations tax revenues.

15           The legislature further finds that the application of the  
16 transient accommodations tax and the allocation of its revenues  
17 should be simplified and stabilized to be clear, consistent, and  
18 predictable over time, in view of the need to invest in tourism.



1 Instead of fixed dollar amounts, caps, floors, or similar  
2 restrictions on allocations, the state and county allocations  
3 should increase or decrease proportionately with increasing or  
4 decreasing transient accommodations tax revenues.

5 The legislature finds the following pertaining to the  
6 allocation of transient accommodations tax revenues:

- 7 (1) The tourism special fund should be provided a priority  
8 distribution at an assured minimum level and  
9 regardless of overall transient accommodations tax  
10 collections;
- 11 (2) After the priority distribution to the tourism special  
12 fund, existing allocations to the convention center  
13 enterprise special fund, special land and development  
14 fund, and Turtle Bay conservation easement special  
15 fund should be maintained at their current levels,  
16 with any additional state funding of these efforts  
17 made out of state general funds by separate  
18 appropriation; and
- 19 (3) Based on a review of state and county functions,  
20 including tourism expenditures, an appropriate  
21 allocation of the remaining revenues is fifty-five per



1 cent to the state general fund and forty-five per cent  
2 to the counties.

3 Accordingly, the purpose of this Act is to:

- 4 (1) Provide a fair, consistent, and predictable priority  
5 allocation of transient accommodations tax revenues,  
6 of an assured minimum amount, to the tourism special  
7 fund;
- 8 (2) Maintain allocation of transient accommodations tax  
9 revenues to existing obligations at present levels;
- 10 (3) Provide a fair, consistent, and predictable allocation  
11 of the balance of the transient accommodations tax  
12 revenues between the State and the counties; and
- 13 (4) Provide flexibility to the tourism special fund,  
14 State, and counties in the utilization of their  
15 respective allocations.

16 SECTION 2. Section 87A-42, Hawaii Revised Statutes, is  
17 amended by amending subsection (d) to read as follows:

18 "(d) In any fiscal year subsequent to the 2017-2018 fiscal  
19 year in which a county public employer's contributions into the  
20 fund are less than the amount of the annual required  
21 contribution, the amount that represents the excess of the

1 annual required contribution over the county public employer's  
2 contributions shall be deposited into the fund from a portion of  
3 all transient accommodations tax revenues collected by the  
4 department of taxation under section [~~237D-6.5(b)(4)~~.]  
5 237D-6.5(b)(5). The director of finance shall deduct the amount  
6 necessary to meet the county public employer's annual required  
7 contribution from the revenues derived under section  
8 [~~237D-6.5(b)(4)~~] 237D-6.5(b)(5) and transfer the amount to the  
9 board for deposit into the appropriate account of the separate  
10 trust fund."

11 SECTION 3. Section 171-19, Hawaii Revised Statutes, is  
12 amended by amending subsection (a) to read as follows:

13 "(a) There is created in the department a special fund to  
14 be designated as the "special land and development fund".  
15 Subject to the Hawaiian Homes Commission Act of 1920, as  
16 amended, and section 5(f) of the Admission Act of 1959, all  
17 proceeds of sale of public lands, including interest on deferred  
18 payments; all moneys collected under section 171-58 for mineral  
19 and water rights; all rents from leases, licenses, and permits  
20 derived from public lands; all moneys collected from lessees of  
21 public lands within industrial parks; all fees, fines, and other



1 administrative charges collected under this chapter and chapter  
2 183C; a portion of the highway fuel tax collected under chapter  
3 243; all moneys collected by the department for the commercial  
4 use of public trails and trail accesses under the jurisdiction  
5 of the department; transient accommodations tax revenues  
6 collected pursuant to section [~~237D-6.5(b)(5);~~] 237D-6.5(b)(3);  
7 and private contributions for the management, maintenance, and  
8 development of trails and accesses shall be set apart in the  
9 fund and shall be used only as authorized by the legislature for  
10 the following purposes:

- 11 (1) To reimburse the general fund of the State for  
12 advances made that are required to be reimbursed from  
13 the proceeds derived from sales, leases, licenses, or  
14 permits of public lands;
- 15 (2) For the planning, development, management, operations,  
16 or maintenance of all lands and improvements under the  
17 control and management of the board pursuant to title  
18 12, including but not limited to permanent or  
19 temporary staff positions who may be appointed without  
20 regard to chapter 76; provided that transient  
21 accommodations tax revenues allocated to the fund



1 shall be expended as provided in section

2 [~~237D-6.5(b)(5);~~] 237D-6.5(b)(3);

3 (3) To repurchase any land, including improvements, in the  
4 exercise by the board of any right of repurchase  
5 specifically reserved in any patent, deed, lease, or  
6 other documents or as provided by law;

7 (4) For the payment of all appraisal fees; provided that  
8 all fees reimbursed to the board shall be deposited in  
9 the fund;

10 (5) For the payment of publication notices as required  
11 under this chapter; provided that all or a portion of  
12 the expenditures may be charged to the purchaser or  
13 lessee of public lands or any interest therein under  
14 rules adopted by the board;

15 (6) For the management, maintenance, and development of  
16 trails and trail accesses under the jurisdiction of  
17 the department;

18 (7) For the payment to private land developers who have  
19 contracted with the board for development of public  
20 lands under section 171-60;



1 (8) For the payment of debt service on revenue bonds  
2 issued by the department, and the establishment of  
3 debt service and other reserves deemed necessary by  
4 the board;

5 (9) To reimburse the general fund for debt service on  
6 general obligation bonds issued to finance  
7 departmental projects, where the bonds are designated  
8 to be reimbursed from the special land and development  
9 fund;

10 (10) For the protection, planning, management, and  
11 regulation of water resources under chapter 174C; and

12 (11) For other purposes of this chapter."

13 SECTION 4. Section 237D-6.5, Hawaii Revised Statutes, is  
14 amended by amending subsection (b) to read as follows:

15 "(b) Revenues collected under this chapter shall be  
16 distributed in the following priority, with the excess revenues  
17 to be deposited into the general fund:

18 [~~1~~] ~~\$1,500,000 shall be allocated to the Turtle Bay~~  
19 ~~conservation easement special fund beginning July 1,~~  
20 ~~2015, for the reimbursement to the state general fund~~  
21 ~~of debt service on reimbursable general obligation~~



~~bonds, including ongoing expenses related to the  
issuance of the bonds, the proceeds of which were used  
to acquire the conservation easement and other real  
property interests in Turtle Bay, Oahu, for the  
protection, preservation, and enhancement of natural  
resources important to the State, until the bonds are  
fully amortized;]~~

(1) \$82,000,000 shall be allocated to the tourism special  
fund established under section 201B-11; provided that:

(A) Of the revenues allocated to the tourism special  
fund:

(i) \$1,000,000 shall be allocated for the  
operation of a Hawaiian center and the  
museum of Hawaiian music and dance at the  
Hawaii convention center; and

(ii) 0.5 per cent shall be transferred to a sub-  
account in the tourism special fund to  
provide funding for a safety and security  
budget, in accordance with the Hawaii  
tourism strategic plan; and





1           (B) Of the revenues remaining in the tourism special  
 2           fund after revenues have been deposited as  
 3           provided in this paragraph and except for any sum  
 4           authorized by the legislature for expenditure  
 5           from revenues subject to this paragraph,  
 6           beginning July 1, 2007, funds shall be deposited  
 7           into the tourism emergency special fund,  
 8           established in section 201B-10, in a manner  
 9           sufficient to maintain a fund balance of  
 10           \$5,000,000 in the tourism emergency special fund;

11           (2) \$26,500,000 shall be allocated to the convention  
 12           center enterprise special fund established under  
 13           section 201B-8;

14           ~~[(3) \$82,000,000 shall be allocated to the tourism special~~  
 15           ~~fund established under section 201B-11, provided that:~~

16           ~~(A) Beginning on July 1, 2012, and ending on June 30,~~  
 17           ~~2015, \$2,000,000 shall be expended from the~~  
 18           ~~tourism special fund for development and~~  
 19           ~~implementation of initiatives to take advantage~~  
 20           ~~of expanded visa programs and increased travel~~



1 ~~opportunities for international visitors to~~  
2 ~~Hawaii;~~  
3 ~~(B) Of the \$82,000,000 allocated:~~  
4 ~~(i) \$1,000,000 shall be allocated for the~~  
5 ~~operation of a Hawaiian center and the~~  
6 ~~museum of Hawaiian music and dance at the~~  
7 ~~Hawaii convention center; and~~  
8 ~~(ii) 0.5 per cent of the \$82,000,000 shall be~~  
9 ~~transferred to a sub-account in the tourism~~  
10 ~~special fund to provide funding for a safety~~  
11 ~~and security budget, in accordance with the~~  
12 ~~Hawaii tourism strategic plan 2005-2015; and~~  
13 ~~(C) Of the revenues remaining in the tourism special~~  
14 ~~fund after revenues have been deposited as~~  
15 ~~provided in this paragraph and except for any sum~~  
16 ~~authorized by the legislature for expenditure~~  
17 ~~from revenues subject to this paragraph,~~  
18 ~~beginning July 1, 2007, funds shall be deposited~~  
19 ~~into the tourism emergency special fund,~~  
20 ~~established in section 201B-10, in a manner~~  
21 ~~sufficient to maintain a fund balance of~~



1           ~~\$5,000,000 in the tourism emergency special~~  
2           ~~fund,]~~

3       (3) \$3,000,000 shall be allocated to the special land and  
4       development fund established under section 171-19;  
5       provided that the allocation shall be expended in  
6       accordance with the Hawaii tourism authority strategic  
7       plan for:

8       (A) The protection, preservation, maintenance, and  
9       enhancement of natural resources, including  
10       beaches, important to the visitor industry;

11       (B) Planning, construction, and repair of facilities;  
12       and

13       (C) Operation and maintenance costs of public lands,  
14       including beaches, connected with enhancing the  
15       visitor experience;

16       (4) \$1,500,00 shall be allocated to the Turtle Bay  
17       conservation easement special fund beginning July 1,  
18       2015, for the reimbursement to the state general fund  
19       of debt service on reimbursable general obligation  
20       bonds, including ongoing expenses related to the  
21       issuance of the bonds, the proceeds of which were used



1 to acquire the conservation easement and other real  
2 property interests in Turtle Bay, Oahu, for the  
3 protection, preservation, and enhancement of natural  
4 resources important to the State, until the bonds are  
5 fully amortized; and

6 ~~[(4)] (5) [\$103,000,000 for fiscal year 2014-2015,~~  
7 ~~\$103,000,000 for fiscal year 2015-2016, \$103,000,000~~  
8 ~~for fiscal year 2016-2017, and \$93,000,000 for each~~  
9 ~~fiscal year thereafter]~~ Of the remaining revenues  
10 collected under this chapter, forty-five per cent  
11 shall be allocated to the counties and shall be  
12 distributed as follows: Kauai county shall receive  
13 14.5 per cent, Hawaii county shall receive 18.6 per  
14 cent, city and county of Honolulu shall receive 44.1  
15 per cent, and Maui county shall receive 22.8 per cent;  
16 provided that commencing with fiscal year 2018-2019, a  
17 sum that represents the difference between a county  
18 public employer's annual required contribution for the  
19 separate trust fund established under section 87A-42  
20 and the amount of the county public employer's  
21 contributions into that trust fund shall be retained



1 by the state director of finance and deposited to the  
2 credit of the county public employer's annual required  
3 contribution into that trust fund in each fiscal year,  
4 as provided in section 87A-42, if the respective  
5 county fails to remit the total amount of the county's  
6 required annual contributions, as required under  
7 section 87A-43 [~~and~~

8 ~~(5) \$3,000,000 shall be allocated to the special land and~~  
9 ~~development fund established under section 171-19,~~  
10 ~~provided that the allocation shall be expended in~~  
11 ~~accordance with the Hawaii tourism authority strategic~~  
12 ~~plan for:~~

- 13 ~~(A) The protection, preservation, maintenance, and~~  
14 ~~enhancement of natural resources, including~~  
15 ~~beaches, important to the visitor industry,~~  
16 ~~(B) Planning, construction, and repair of facilities,~~  
17 ~~and~~  
18 ~~(C) Operation and maintenance costs of public lands,~~  
19 ~~including beaches, connected with enhancing the~~  
20 ~~visitor experience].~~



1 All transient accommodations taxes shall be paid into the  
2 state treasury each month within ten days after collection and  
3 shall be kept by the state director of finance in special  
4 accounts for distribution as provided in this subsection.

5 As used in this subsection, "fiscal year" means the twelve-  
6 month period beginning on July 1 of a calendar year and ending  
7 on June 30 of the following calendar year."

8 SECTION 5. Statutory material to be repealed is bracketed  
9 and stricken. New statutory material is underscored.

10 SECTION 6. This Act shall take effect on July 1, 2017.

11



**Report Title:**

Transient Accommodations Tax; Allocation; Tourism Special Fund;  
Counties

**Description:**

Adjusts allocation of transient accommodations tax revenues to the tourism special fund for inflation. Adjusts allocation to the counties to equal forty-five per cent of the amount of revenues remaining after all other allocations are made. (SD1)

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

