

STAND. COM. REP. NO.

879

Honolulu, Hawaii

MAR 03 2017

RE: S.B. No. 1290
S.D. 2

Honorable Ronald D. Kouchi
President of the Senate
Twenty-Ninth State Legislature
Regular Session of 2017
State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred S.B. No. 1290, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO THE TRANSIENT ACCOMMODATIONS TAX,"

begs leave to report as follows:

The purpose and intent of this measure is to amend the allocation of transient accommodations tax revenues.

More specifically, this measure:

- (1) Reorganizes the priority of allocations of transient accommodations tax revenues;
- (2) Repeals the requirement that a certain amount of the allocation of transient accommodations tax revenues to the tourism special fund from July 1, 2012, to June 30, 2015, be used for the development and implementation of initiatives to take advantage of expanded visa programs and increased travel opportunities for international visitors to Hawaii; and
- (3) Amends the amount of transient accommodations tax revenues allocated to the counties from a flat dollar amount to forty-five per cent of the revenues remaining after all other allocations have been made.



Your Committee received written comments in support of this measure from the City and County of Honolulu, the Mayor of the County of Hawaii, a member of the Hawaii County Council, a member of the Maui County Council, Hawaii State Association of Counties, Maui Hotel and Lodging Association, and ten individuals.

Your Committee received written comments on this measure from the Department of Budget and Finance, Tax Foundation of Hawaii, and one individual.

Your Committee finds that, beginning after the current fiscal year, the amount of transient accommodations tax revenues allocated to the counties will be \$93,000,000 per fiscal year. Increasing this amount to \$108,000,000 would represent an increase of \$15,000,000 per fiscal year to the counties. The City and County of Honolulu would receive 44.1 per cent of this increase, which equals \$6,615,000 annually.

Your Committee also finds that, according to information provided to your Committee's Chair by the City and County of Honolulu, \$6,615,000 could pay for debt service of between \$59,000,000 and nearly \$70,000,000 of general obligation bonds. These general obligation bonds could be issued to cover cost overruns for the city's rail transportation project. Your Committee notes that all counties, including Honolulu, may expend their portion of transient accommodations tax revenues for any purpose. Therefore, if the rail transportation project does not need to use this contingency funding source, the City and County of Honolulu may use the additional transient accommodations tax revenues for any other public purpose.

Your Committee has amended this measure by:

- (1) Restoring the order of priority for the allocations of transient accommodations tax revenues to that which exists under current law;
- (2) Amending the amount of transient accommodations tax revenues allocated to the counties from forty-five per cent of the remaining revenues to \$108,000,000 per fiscal year;



- (3) Changing the effective date to July 1, 2050, to facilitate further discussion on the measure; and
- (4) Making technical nonsubstantive amendments for the purposes of consistency, clarity, and style.

Your Committee notes the measure's effective date is intended to be reconsidered, depending on developments with S.B. No. 1183, S.D. 2, pertaining to the county surcharge on state tax and funding of the City and County of Honolulu's rail transportation project. Your Committee would also like to emphasize that, despite discussing the possible uses of transient accommodations tax revenues in its findings, your Committee is not dictating to the City and County of Honolulu how to use additional transient accommodations tax revenues.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1290, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 1290, S.D. 2.

Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,



JILL N. TOKUDA, Chair



The Senate
 Twenty-Ninth Legislature
 State of Hawai'i

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:*	Committee Referral:	Date:		
SB 1290, S01	ETT/PSM, WAM	27 Feb 2017		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<input type="checkbox"/> Pass, unamended 2312	<input checked="" type="checkbox"/> Pass, with amendments 2311	<input type="checkbox"/> Hold 2310		
<input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
TOKUDA, Jill N. (C)	/			
DELA CRUZ, Donovan M. (VC)				/
ENGLISH, J. Kalani	/			
GALUTERIA, Brickwood	/			
HARIMOTO, Breene	/			
INOUYE, Lorraine R.				/
KAHELE, Kaiali'i	/			
RIVIERE, Gil	/			
SHIMABUKURO, Maile S.L.	/			
TANIGUCHI, Brian T.	/			
WAKAI, Glenn				/
TOTAL	8			3 <i>kw</i>
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <i>J. Kalani English</i>				
Distribution:				
Original File with Committee Report	Yellow Clerk's Office	Pink Drafting Agency	Goldenrod Committee File Copy	

*Only one measure per Record of Votes