



LATE

HAWAI'I LODGING & TOURISM
ASSOCIATION

Testimony of

Mufi Hannemann
President & CEO

Hawai'i Lodging & Tourism Association

Support

Senate Committees on
Economic Development, Tourism, and Technology
and
Commerce, Consumer Protection, and Health

Senate Bill 1202

Chair Wakai, Chair Baker and committee members, mahalo for the opportunity to offer this testimony on behalf of the more than 700 members of the Hawai'i Lodging & Tourism Association.

Senate Bill 1202 is a major priority bill for the Hawai'i Lodging & Tourism Association. The HLTA supports this measure, as we did a similar measure last session, which would allow online hotel and vacation booking companies to collect the Transient Accommodation Tax and General Excise Tax on behalf of the Department of Taxation.

It is the goal of the hospitality industry, which we represent, to ensure a level playing field for all visitor accommodations, from the traditional hospitality businesses to the alternative accommodations offered online. There are an estimated 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, or raise the TAT, the state government should collect the estimated \$100 million in taxes now being avoided. On top of this our industry has expressed the desire to create parity amongst the short term online rental market and our conventional accommodations, these caveats are amply addressed within this bill which covers the issues of online operator transparency, the inclusion of county zoning and regulations as well as ample registration and enforcement on behalf of the Department of Taxation.

This bill will help us achieve a level playing field in regards to collecting taxes owed, as well as providing for greater accountability for hosting platforms and their operators.

We urge your approval of Senate Bill 1202.

Mahalo.



LATE

February 2, 2017

Senator Glenn Wakai, Chair
Senator Brian T. Taniguchi, Vice Chair
Senate Committee on Economic Development, Tourism, and Technology

Senator Rosalyn H. Baker, Chair
Senator Clarence K. Nishihara, Vice Chair
Senate Committee on Commerce, Consumer Protection, and Health

Comments in Support of SB 1202, Relating to Short-Term Rental Lodging; Hosting Platforms; Transient Accommodations; Reporting Requirements; Taxation; Excise Tax; Counties.

Friday, February 3, 2017, 1:25 p.m., in Conference Room 414

The Land Use Research Foundation of Hawaii (LURF) is a private, non-profit research and trade association whose members include major Hawaii landowners, developers and a utility company. LURF's mission is to advocate for reasonable, rational and equitable land use planning, legislation and regulations that encourage well-planned economic growth and development, while safeguarding Hawaii's significant natural and cultural resources, and public health and safety.

LURF supports the intent of SB 1202, which proposes to allow hosting platforms registered with the Department of Taxation (DoTax) to act as tax collectors on behalf of short-term rental lodging operators; apply the general excise tax on short-term rental lodging; require hosting platforms to report detailed operator information with the filing of tax returns; and require operators to keep records of each booking transaction for a period of at least three years. This proposed measure also limits the number of short-term rental lodging units that can be registered by any one operator, sets a cap of the number of nights permitted, and creates a surcharge on short-term rental lodging in the State to fund supportive services for Hawaii's homeless.

SB 1202. This measure proposes to extend the intent, policies and practical benefits underlying Act 143, SLH 1998, which amended Hawaii Revised Statutes [HRS] Section 237-9 to allow multi-level marketing companies to act on behalf of their independent business owners to collect and pay State general excise tax (GET), to DoTax-registered hosting platforms to collect and remit transient accommodations tax (TAT) and GET on behalf of short-term rental lodging operators and owners.

LURF supports the intent of SB 1202 as the bill would serve as a vehicle to effectively assist the DoTax improve and increase the agency's ability to identify non-compliant operators/owners and to collect such taxes, and in addition, aims to offset the State's housing and homeless issues reportedly exacerbated by the increase of short-term rental lodging operations, with the establishment of a surcharge to directly address these critical issues.

LURF's Position. Unlike comparable legislation which has been previously introduced in effort to effectuate the same purposes underlying, and policies contained in this bill, the provisions of SB 1202 attempt to address and alleviate objectionable points contained in those prior iterations, including the strong concern that use of collection agents could operate as a shield to hide or protect illegal, or otherwise non-compliant short-term lodging owners/operators.

Compared to prior similar legislation, SB 1202 contains more detailed and comprehensive reporting, auditing and enforcement requirements, safeguards, and other provisions, which LURF believes not only better protect the public by ensuring tax compliance and maximum tax revenue from bookings processed through host platforms, but will also effectively assist DoTax by relieving it of its duty to enforce tax compliance by individual owner/operators, and reduce its administrative costs.

Opponents of prior similar bills also took the position that the collection agent arrangement would encourage owners/occupants to accommodate short-term lodging renters over local residents requiring affordable rental housing, especially at a time when the lack of affordable rental housing and homelessness is at a crisis point throughout the State.

LURF, which is involved in, understands, and deals with current issues relating to affordable housing and homelessness, questions whether the platform hosting arrangement proposed by SB 1202 would in fact have a significant effect on affordable rental housing and homelessness in this State, primarily since most rental opportunities which would reportedly be lost to short-term lodging fall outside the range of affordability of housing units needed and sought at this time. Nevertheless, it is LURF's position that the proposed establishment of a surcharge on short-term rental lodging to fund support services for Hawaii's homeless would be able to more appropriately address concerns, and directly help with efforts required to alleviate homelessness in this State.

Conclusion. LURF believes a measure such as SB 1202 is vital to identify non-compliant short-term rental lodging operators and owners, and to collect the TAT and GET currently being avoided, but rightfully owed by them to the State. For the reasons set forth above, LURF **supports the intent** of SB 1202 and respectfully urges your favorable consideration.

Thank you for the opportunity to present testimony regarding this matter.



LATE

THE SENATE
THE TWENTY-NINTH LEGISLATURE
REGULAR SESSION OF 2017

COMMITTEE ON ECONOMIC DEVELOPMENT, TOURISM, AND TECHNOLOGY
Senator Glenn Wakai, Chair

COMMITTEE ON COMMERCE, CONSUMER PROTECTION & HEALTH
Senator Rosalyn H Baker, Chair

2/3/2017
Rm. 414, 1:25 PM

SB 1202
Relating to Taxation

Chair Wakai, Chair Baker and Members of both Committees, my name is David Carey, President & CEO of Outrigger Hotels Hawaii, testifying in support of SB 1202.

May I please incorporate my earlier testimony opposing SB 1087 and providing supportive comments on SB 1281.

SB 1202 includes several provisions which we support as a comprehensive overall approach to the issue of full compliance with tax and regulatory requirements by Transient Vacation Unit (TVU) operators, advertisers and others. It retains HRS 237D-4 unchanged; we consider that provision, which requires each and every individual TAT number posting in any TVU online ad, to be crucial to one of our main goals of full transparency. It allows for the verification of tax collection through mandatory detailed information to be provided to the State Department of Taxation (subpart (4), pp. 6-7).

It also includes detailed requirements for proof of compliance with local TVU operation laws, and imposes substantial fines and penalties for those who do not comply with the provisions of this bill. We are also supportive of section 4, which would allocate such fines and penalties directly to DoTax special enforcement section, thereby meeting one of our main goals of providing DoTax the resources it needs to assure that TVUs are in full legal compliance.

We do believe that section 6, paragraph (e), which would impose a 4% surcharge on TVU bookings to be directed to housing and support services for the homeless, requires further discussion. Our industry has dedicated major



OUTRIGGER
ENTERPRISES GROUP

Hospitality • Retail • Development

resources to such programs through trade entities such as the Hawaii Lodging and Tourism Association, and we support appropriate dedicated government funding. However, as we believe the goal of such programs is not exclusively one for the visitor industry to address, we generally do not support direct required allocation of industry-generated taxes to non-industry purposes. If any visitor industry taxes were utilized directly for these or any other worthwhile broader community effort, we believe it should come from that portion of the Transient Accommodations Tax allocated to the state general fund, without reducing the portion allocated to visitor industry marketing through the Hawaii Tourism Authority and Convention Center.

Thank you for allowing me to testify.

February 3, 2017

Committee on Economic Development, Tourism and Technology
Senator Glenn Wakai, Chair

Committee on Commerce, Consumer Protection and Health
Senator Rosalyn H. Baker, Chair

Re: SB 1202, Relating to Taxation

Dear Senators Wakai and Baker:

My name is Kelvin Bloom. I am the Manager and CEO of Aqua-Aston Hospitality, LLC, which manages and operates hotels and condominium hotels in the State of Hawaii. I am writing in support of SB 1202 relating to taxation and short-term rental lodging.

SB 1202 helps to ensure transparency and compliance with existing laws relating to short term rentals. Hosting platforms, which register to collect and remit any tax imposed on booking transactions facilitated by the hosting platform, must provide the State with the name, address and general excise tax number of each operator and information relating to each rental itself. Additionally, each operator must demonstrate to the hosting platform that the operator and short term rental lodging are in compliance with the law. These requirements, together with the Department of Taxation's authority to conduct audits will allow the State to determine whether short term rental lodging operators and hosting platforms are properly reporting and remitting all taxes dues. It will also help to eliminate illegal short term rentals and provide some relief to the housing crises in our State.

The proposed legislation also includes a 4% surcharge to support housing for the homeless community. We believe that any visitor industry funding should come from that portion of the TAT allocated to the State general fund as opposed to creating an additional tax on the consumer.

Thank you for allowing me to testify in favor of SB 1202.

Sincerely,



Kelvin Bloom
Manager and CEO
Aqua-Aston Hospitality, LLC

KB:krs

KB001-2017

S.B. 1202
Hearing Date: February 3, 2017
Hearing Time: 1:25 p.m.
Hearing Location: Conference Room 414

LATE

Testimony in Support of S.B. 1202

Dear Chair Wakai and Members of the Economic Development, Tourism and Technology Committee:

Marriott Hawaii writes to express our strong support for S.B. 1202, relating to taxation and short-term rental lodging. Marriott supports the proposed legislation for the following reasons.

First, the proposed legislation advances transparency and compliance with existing laws by requiring registration of short-term rental lodging units and operators as part of the transient accommodations tax registration process. The bill also contains record retention requirements and detailed reporting requirements with respect to the underlying booking transactions in connection with general excise and transient accommodations tax returns. These requirements, together with the Department of Tax's authority to conduct audits, allow the State to determine whether short-term rental lodging operators and hosting platforms are properly reporting and remitting all taxes due. The proposed legislation would prohibit any short-term rental lodging unit from being listed on an online hosting platform until the operator of the unit first demonstrates to the hosting platform that the operator and the unit are in compliance with applicable laws, including by providing the hosting platform with the unit's registration number and by attesting to compliance with applicable land use, zoning, and tax requirements.

Second, the proposed legislation includes measures aimed at eliminating illegal short-term rentals. Hopefully, the proposed legislation will mitigate the serious decrease of affordable rental housing available for Hawaii's residents. The bill also provides direct assistance to Hawaii's homeless by generating revenues for supportive services and housing for chronically homeless.

Third, the proposed legislation would create greater parity by strengthening enforcement of general excise tax, transient accommodations tax, and land use laws with respect to hosting platforms and short-term rental operators. Like hotels, motels, and other transient accommodations, hosting platforms and short-term rental operators should also pay the applicable taxes and comply with land use laws.

Thank you for your consideration of Marriott's position.

Mahalo nui loa,

Chris Tatum
Area General Manager
Marriott Hawaii

~~_____~~

From: Samuel Levitz <sailorsaml@gmail.com>
Sent: Thursday, February 2, 2017 8:05 PM
To: CPH Testimony
Subject: OPPOSE SB1202

LATE

Aloha Chair Senator Baker and Vice Chair Nishihara,

Our family OPPOSES SB1202.

There is NO security in place or privacy discussed with this bill.

Studies clearly show that cost of living and housing here in Hawaii Nei is NOT because of short term rentals.

Again our family OPPOSES SB1202.

Samuel Levitz & Ohana

From: Nerissa Wong-VanHaren <nerissaw@gmail.com>
Sent: Thursday, February 2, 2017 7:22 PM
To: CPH Testimony
Subject: OPPOSE SB 1202

Oppose SB 1202

Committee Hearing : Feb 3, 2017 1:25 pm, rm 414

LATE

Dear Senator Baker and Senator Nishihara

I am writing to oppose SB 1202 because more than one study has shown that the high cost of living and housing in Hawaii is not due to short term rentals, but to other factors. Short term rentals actually allow those of us born and raised here to stay in the islands by providing supplemental income. Furthermore, this bill does not respect the privacy of citizens.

Thank you,

Nerissa Wong-VanHaren
Kailua, HI

~~Kailua Post Offices~~

From: Vlasta Hanson <vlastahanson@gmail.com>
Sent: Thursday, February 2, 2017 6:26 PM
To: CPH Testimony
Subject: Oppose SB 1202

LATE

Oppose

SB 1202

Committee Hearing : Feb 3, 2017 1:25 pm, rm 414

Dear Chair Senator Baker and Vice Chair Senator Nishihara:

I oppose SB 1281.

1. Studies shown that the cost of living and Housing in Hawaii is not because of short term rentals.
2. Short term rentals allow those who are retired, and live on the property, to afford to pay our property taxes.
3. This Bill does not respect security or privacy.
4. Defer to SB 1087 This should be left to the counties and is not cost effective.

Thank you.

Vlasta Hanson
Kailua

From: Gordon Hanson <ghanson726@gmail.com>
Sent: Thursday, February 2, 2017 6:24 PM
To: CPH Testimony
Subject: Oppose SB 1202

Oppose

SB 1202

LATE

Committee Hearing : Feb 3, 2017 1:25 pm, rm 414

Dear Chair Senator Baker and Vice Chair Senator Nishihara:

I oppose SB 1281.

1. Studies shown that the cost of living and Housing in Hawaii is not because of short term rentals.
2. Short term rentals allow those who are retired, and live on the property, to afford to pay our property taxes.
3. This Bill does not respect security or privacy.
4. Defer to SB 1087 This should be left to the counties and is not cost effective.

Thank you.

Gordon Hanson
Kailua

CPH Testimony

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 2, 2017 3:41 PM
To: CPH Testimony
Cc: kandis@mcengineer.com
Subject: Submitted testimony for SB1202 on Feb 3, 2017 13:25PM

LATE

SB1202

Submitted on: 2/2/2017

Testimony for CPH/ETT on Feb 3, 2017 13:25PM in Conference Room 414

Submitted By	Organization	Testifier Position	Present at Hearing
Kandis McNulty	Individual	Support	No

Comments: Include in the bill the following:"For purposes of any other business activity, the operators and plan managers are subject to all requirements of title 14 and all county, city, and town laws or ordinances, and rules and regulations thereunder, regulating short-term rentals, vacation rentals, or bed and breakfast lodging within their jurisdictions as if this section did not exist."

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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K. H. ...

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 2, 2017 5:59 PM
To: CPH Testimony
Cc: nsweatt@earthlink.net
Subject: Submitted testimony for SB1202 on Feb 3, 2017 13:25PM

LATE

SB1202

Submitted on: 2/2/2017

Testimony for CPH/ETT on Feb 3, 2017 13:25PM in Conference Room 414

Submitted By	Organization	Testifier Position	Present at Hearing
JAMES ELDER	Individual	Oppose	No

Comments: These rentals have nothing to do with the cost of living - supported by studies. Big issues Sacrificing security and privacy along with a big expense in any attempts to try and comply. DEFER TO BILL 1087.

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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From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 2, 2017 5:33 PM
To: CPH Testimony
Cc: nsweatt@earthlink.net
Subject: Submitted testimony for SB1202 on Feb 3, 2017 13:25PM

LATE

SB1202

Submitted on: 2/2/2017

Testimony for CPH/ETT on Feb 3, 2017 13:25PM in Conference Room 414

Submitted By	Organization	Testifier Position	Present at Hearing
nancy sweet	Individual	Oppose	No

Comments: Study confirms already that cost of living has nothing to do with short term rentals. With everything so high, including prop. tax, this is the only way for many of us and our families to remain here. There are also big issues of privacy and security of our homes. DEFER to SB1087.

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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From: mailinglist@capitol.hawaii.gov
Sent: Friday, February 3, 2017 11:33 AM
To: CPH Testimony
Cc: azlinah483@gmail.com
Subject: Submitted testimony for SB1202 on Feb 3, 2017 13:25PM

LATE

SB1202

Submitted on: 2/3/2017

Testimony for CPH/ETT on Feb 3, 2017 13:25PM in Conference Room 414

Submitted By	Organization	Testifier Position	Present at Hearing
Azlina Harun	Individual	Oppose	No

Comments: County Land Use ordinance compliance is the responsibility of individual County's planning department. It is not the responsibility of the State, and it is inappropriate to assign the responsibility of a County to a private entity. Enforcement is all but impossible as well. The placement of caps, both in number of nights and vacation units per operator, will be impossible to enforce. This only create incentive for inaccurate reporting. While homelessness is an issue in Hawaii, creating a surcharge for short-term lodging to address the issue is discriminatory. It is a holistic problem, and it requires a holistic solution. Taxing one industry is short sighted and irresponsible.

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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From: mailinglist@capitol.hawaii.gov
Sent: Friday, February 3, 2017 9:40 AM
To: CPH Testimony
Cc: clau@99imperial.net
Subject: Submitted testimony for SB1202 on Feb 3, 2017 13:25PM

LATE

SB1202

Submitted on: 2/3/2017

Testimony for CPH/ETT on Feb 3, 2017 13:25PM in Conference Room 414

Submitted By	Organization	Testifier Position	Present at Hearing
Colin Lau	Individual	Oppose	No

Comments: Aloha Chair, Vice Chair and Members of the Committees Strongly oppose the measure

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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From: deborah aldrich <surfchick96712@yahoo.com>
Sent: Friday, February 3, 2017 11:11 AM
To: CPH Testimony
Subject: SB 1202

LATE

Dear Chair Senator Baker and Vice Chair Nishihara,

I oppose SB 1202.

Thank You,

Deborah Aldrich
Haleiwa

From: Haleiwa Time <haleiwatime@gmail.com>
Sent: Friday, February 3, 2017 11:28 AM
To: CPH Testimony
Subject: Oppose SB 1202

LATE

Aloha Chair Senator Baker and Vice Chair Nishihara,

I am writing to you to express my opposition to SB 1202.

Many studies have proven that the issues of cost of living and lack of housing in Hawaii is not the result of short term rentals. Short term rentals are a service to the tourism industry that the Hawaii economy depends on and thrives on.

I think SB 1087 does a better job of ensuring that tax revenues are paid to the state and those revenues can be used to combat the homeless issues that have impacted Hawaii for years.

SB 1202 also does not respect security or privacy and that is a huge red flag.

Mahalo for your time and consideration

Andrew
Haleiwa, HI

CPH Testimony

From: Carol Sutherland <casbrightideas@icloud.com>
Sent: Thursday, February 2, 2017 3:48 PM
To: CPH Testimony
Subject: OPPOSE SB 1202 Relating to Taxation

LATE

Categories: Late (Printed), Late

SORRY, sending again. Typo in your address:

On Feb 2, 2017, at 3:44 PM, Carol Sutherland <casbrightideas@icloud.com> wrote:

Dear Chair Senator Baker:

Please note that I am **OPPOSED** to SB 1201

Carol Sutherland - Makaha