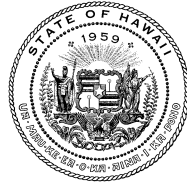


DAVID Y. IGE  
GOVERNOR

SHAN TSUTSUI  
LT. GOVERNOR



STATE OF HAWAII  
**DEPARTMENT OF TAXATION**  
P.O. BOX 259  
HONOLULU, HAWAII 96809  
PHONE NO: (808) 587-1540  
FAX NO: (808) 587-1560

MARIA E. ZIELINSKI  
DIRECTOR OF TAXATION

DAMIEN A. ELEFANTE  
DEPUTY DIRECTOR

To: The Honorable Glenn Wakai, Chair  
and Members of the Senate Committee on Economic Development, Tourism, and  
Technology

The Honorable Rosalyn H. Baker, Chair  
and Members of the Senate Committee on Commerce, Consumer Protection, and  
Health

Date: Friday, February 3, 2017  
Time: 1:25 P.M.  
Place: Conference Room 414, State Capitol

From: Maria E. Zielinski, Director  
Department of Taxation

Re: S.B. 1281, Relating to Taxation

The Department of Taxation (Department) provides the following comments on S.B. 1281 for your consideration.

S.B. 1281, which is effective upon approval and applies to taxable years beginning after December 31, 2017, permits a transient accommodations broker to register as a tax collection agent on behalf of its operators and plan managers. The following is a summary of key provisions of the bill:

#### Duties as Tax Collection Agent

- The registered agent will be required to report, collect, and pay general excise tax and transient accommodations tax on behalf of all of its operators and plan managers for transient accommodations booked directly through the registered agent.
- The registered agent's operators and plan managers will be required to be licensed under chapters 237 and 237D, Hawaii Revised Statutes (HRS).
- The registered agent will assume all obligations, rights, and responsibilities imposed on operators and plan managers for business activities conducted directly through the registered agent and will be personally liable for all taxes due and collected.

#### Reporting

- The registered agent may be required to provide the names or addresses of its operators to the Director of Taxation.

### Compliance with Land Use Laws

- Prior to advertising a property, the registered agent shall ensure that the transient accommodation is in compliance with all land use laws by: (1) notifying the operator that the property is required to be in compliance with applicable land use laws; (2) requiring the operator to display or make available its tax identification number in any advertisement; and (3) requiring the operator to provide verification of compliance with county land use laws in the form of a written certification, verification, or permit issued by the county in which the transient accommodation is located.

First, the Department notes that, in general, permitting transient accommodations brokers to act as tax collection agents, similar to how multi-level marketing organizations may act as tax collection agents on behalf of their direct sellers, pursuant to section 237-9(e), HRS, eases the burden of reporting and remitting taxes for taxpayers and promotes efficient tax collection by easing the burden of processing, auditing, and collecting from individual taxpayers.

However, unlike section 237-9(e), which provides that the direct sellers of the tax collection agent are deemed to be licensed for business activity conducted directly through the tax collection agent, this bill requires all of the operators of the registered agent to obtain a license. This provision is unnecessary and will result in flawed data, as there will be numerous licenses that will appear to be noncompliant.

Second, the Department has concerns that the provisions in new sections 237-\_\_ (j) and 237D-\_\_ (i), regarding compliance with land use laws, requires the Department to police unlawful activity. The Department's function is to collect the taxes due to the State, not to determine whether an act is unlawful and enforce compliance with non-tax laws. The land use provisions in sections 237-\_\_ (j) and 237D-\_\_ (i), however, will place the Department in situations where it may need to prioritize enforcement of land use laws above its duty to collect taxes. If an operator of a registered agent fails to attest that the property is in compliance with land use laws, the Department be forced to cancel the registered agent's registration and forego collecting taxes from the source.

An operator who is renting a unit in violation of land use laws owes taxes on the unlawful transaction regardless of the legality of the underlying activity, just as an unlicensed contractor operating without proper permits is still liable for taxes resulting from the unlawful contracting activity. The Department cannot monitor and enforce laws that are unrelated to tax, especially when doing so would hinder the Department's primary function of collecting taxes.

The Department understands the desire to eliminate unlawful activity, but the Department strongly recommends that provisions ensuring compliance with land use laws not be included in the tax laws of title 14, HRS. All of the laws in title 14, HRS, discuss how or when an activity will be taxed and aid in the Department's enforcement of the tax; nothing in title 14, HRS, makes an income-producing activity unlawful.

Finally, if the Committee wishes to advance this measure, the Department notes that it will be able to implement the changes in this bill for tax years beginning after December 31, 2017.

Thank you for the opportunity to provide comments.

# TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: GENERAL EXCISE, TRANSIENT ACCOMMODATIONS, Transient Accommodations Brokers as Tax Collection Agents

BILL NUMBER: SB 1281

INTRODUCED BY: L. THIELEN, HARIMOTO, IHARA, KIM, RIVIERE, RUDERMAN, Wakai

EXECUTIVE SUMMARY: Allows a transient accommodations broker to serve as a collection agent for general excise and transient accommodations taxes. This type of arrangement would probably enhance collection of taxes because of the difficulty of policing individual owners.

BRIEF SUMMARY: Adds a new section each to HRS chapter 237 and chapter 237D allowing the director of taxation to permit a transient accommodations broker to register as a tax collection agent on behalf of all of its operators and plan managers. Defines “operator,” “plan manager,” and “transient accommodations broker” the same as in the TAT law.

Upon successful registration as a tax collection agent, the broker shall report, and collect, and pay over the tax due on behalf of all of its operators and plan managers as it relates to activity booked through the broker. Registration does not relieve the broker from any of its own tax obligations, and the operators and plan managers are not protected as to any business activity other than that booked through the broker.

A registered broker shall be issued separate licenses with respect to taxes payable on behalf of its operators and plan managers in its capacity as a registered transient accommodations broker tax collection agent and, if applicable, with respect to any taxes payable under this chapter for its own business activities. The broker is to file periodic returns reporting income and exemptions as collection agent separately from its own business activity.

A broker may cancel its registration by delivering a written cancellation notice to the department and its customers; the cancellation will be effective no earlier than 90 days after delivery of the notice. The department may also cancel a registration for any cause, including violations of the tax laws or a breach of the registration agreement.

All brokers shall inquire and ensure that the transient accommodation follows all pertinent state and county land use laws, including but not limited to: (1) prior to placing an advertisement, including an online advertisement, on the availability of a property for lease or rent on behalf of an operator or plan manager, notifying the operator or plan manager that the subject property is required to be in compliance with applicable state and county land use laws prior to retaining the services of the transient accommodations broker; (2) requiring the operator or plan manager to display or make available its transient accommodation tax registration identification number, along with other required information in any advertisement, in compliance with section 237D-4; and (3) requiring the operator or plan manager to provide verification of compliance with county

land use laws in the form of a written certification, verification, or permit issued by the appropriate county agency.

Amends HRS section 237-30.5, relating to rental collection agents, and section 237D-8.5, relating to collecting TAT for the same residents, to clarify that those provisions do not apply to registered transient accommodation brokers.

**EFFECTIVE DATE:** Applies to taxable years beginning after December 31, 2017. Repealed on December 31, 2022.

**STAFF COMMENTS:** Our comments on this measure are the same as those for SB 1087. The principal difference between that bill and this one is the degree to which the registered transient accommodations broker is to verify compliance with state and county land use laws. This measure requires that the broker not only notify the hosts with which it deals about land use law compliance, but also require the operator or plan manager to display or make available its transient accommodation registration number and to provide a certification, verification, or permit saying that the unit is legally zoned for transient accommodation use.

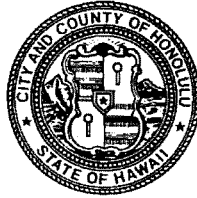
If the State's goal in enacting this measure is to increase tax collections by making it harder for individual hosts to evade or avoid general excise or transient accommodations tax responsibilities, then it should make the registration process for brokers easier, not harder. If the registration process is seen as onerous or burdensome, then brokers might not want to register, hosts might be motivated to take their business away from a registered broker to an unregistered one, or both.

Digested 1/31/2017

DEPARTMENT OF PLANNING AND PERMITTING  
**CITY AND COUNTY OF HONOLULU**

650 SOUTH KING STREET, 7<sup>TH</sup> FLOOR • HONOLULU, HAWAII 96813  
PHONE: (808) 768-8000 • FAX: (808) 768-6041  
DEPT. WEB SITE: [www.honolulu.dpp.org](http://www.honolulu.dpp.org) • CITY WEB SITE: [www.honolulu.gov](http://www.honolulu.gov)

KIRK CALDWELL  
MAYOR



KATHY K. SOKUGAWA  
ACTING DIRECTOR  
  
TIMOTHY F. T. HIU  
ACTING DEPUTY DIRECTOR

February 3, 2017

The Honorable Glenn Wakai, Chair  
and Members of the Committee on  
Economic Development, Tourism  
and Technology

The Honorable Rosalyn H. Baker, Chair  
and Members of the Committee on  
Commerce, Consumer Protection  
and Health

Hawaii State Senate  
Hawaii State Capitol  
415 South King Street  
Honolulu, Hawaii 96813

Dear Chairs Wakai and Baker, and Committee Members:

Subject: Senate Bill No. 1281  
Relating to Taxation

The Department of Planning and Permitting (DPP) **supports** Senate Bill No. 1281, which would allow transient accommodations brokers to register as tax collection agents on behalf of all of its operators and plan managers. We do not take a position on the means of collecting transient accommodation and general excise taxes, but we do support the portions of this measure that will help us in our enforcement of illegal vacation rentals.

With the popularity of transient accommodations websites, the number of transient vacation rental operators has ballooned. A report by the Hawaii Tourism Authority in 2014 showed that there were more than 4,400 units advertised on these online sites and we believe an overwhelming majority is operating without a valid permit. The DPP is charged with enforcing the county's transient vacation rental law, and we are finding it increasingly difficult to keep up with the number of illegal vacation rentals on the island.

Senate Bill No. 1281 will assist us in our enforcement efforts because it will require the operator or plan manager of a vacation rental unit to "provide verification of compliance with county land use laws in the form of a written certification, verification, or permit issued by the appropriate county agency." This verification must be done prior to the placement of an advertisement for the rental unit, either online or in print. Without it, the transient accommodations broker will not be allowed to place an ad for the operator or plan manager. We would be happy to work with the State and licensed transient accommodations brokers in setting up this verification process.

The Honorable Glenn Wakai, Chair  
and Members of the Committee on  
Economic Development, Tourism  
and Technology

The Honorable Rosalyn H. Baker, Chair  
and Members of the Committee on  
Commerce, Consumer Protection  
and Health

Senate Bill No. 1281

February 3, 2016

Page 2

We also support the requirement that the operator or plan manager of a short-term rental unit display or make available its transient accommodation tax registration number, along with other required information, in any advertisement. This information will help us in our enforcement efforts by contributing to the preponderance of evidence that we require to prove that the use, legal or illegal, is ongoing.

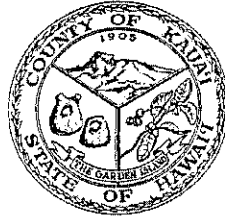
Thank you for the opportunity to testify.

Very truly yours,

A handwritten signature in black ink, appearing to read "Kathy Sokugawa", written in a cursive style.

Kathy Sokugawa  
Acting Director

**Bernard P. Carvalho, Jr.**  
Mayor



**Michael A. Dahilig**  
Director of Planning

**Wallace G. Rezentes, Jr.**  
Managing Director

**Ka'āina S. Hull**  
Deputy Director of Planning

**PLANNING DEPARTMENT**  
**County of Kaua'i, State of Hawai'i**  
4444 Rice Street, Suite A-473, Līhu'e, Hawai'i 96766  
TEL (808) 241-4050 FAX (808) 241-6699

**Testimony Relating to Taxation**  
**SB 1281**  
**By Michael A. Dahilig**  
**Director of Planning, County of Kauai**

The Kauai Planning Department **SUPPORTS** the intent to amend Chapter 237, Hawaii Revised Statutes, as proposed. The Department's enforcement efforts against illegal transient accommodation units will be greatly aided with the requirement that transient accommodation units would have to comply with all pertinent state and county land use laws.

The County of Kauai would withdraw its support of this proposal if this requirement were to be removed. To the contrary, this proposal could be made stronger by requiring all companies such as VRBO, Homeaway, Craigslist, Flipkey, Kauai Vacation Rentals, Luxury Homes Kauai, AirBnB, etc. advertising transient accommodation units be required to register as a transient accommodations broker tax collection agent. In addition to another Legislative proposal relative to the amortization of transient vacation rentals, the County believes these tools could better address the illegal usage contrary to county zoning laws.

Having these private operators help collect taxes but not be held responsible for their role in perpetuating violations of county zoning laws would only lead to continued proliferation of resort usage in communities meant for Hawaii's residents. Contrary to what has been pitched by many who wish to short-term rent out a room or single family residential unit, this activity has actually created the reverse effect by upping residential home values and pushing affordable long-term renters out of the market. The problems the Legislature faces today is only getting louder regarding the lack of affordable housing and homelessness. We must hold these companies responsible for the societal issues they are creating as a by-product of their business.

We sincerely thank you for your efforts reflected in SB 1281.



Senate Economic Development, Tourism, and Technology Committee  
Senate Commerce, Consumer Protection and Health Committee

Friday, February 3, 2017, 1:15 pm  
Room 414

**OPPOSE: SB1281, RELATING TO TAXES**

Aloha Chairs Sen. Wakai, Sen. Baker, members of the committees.

My name is Will Page, President of Page Marketing in Kailua and a member of OALA. My company publishes the *Detailed Map of Kailua* and the *Kailua Beach Map* in Japanese.

I am opposed to SB1281

I can tell you that Kailua businesses support tourism. Tourism in Kailua is vital to our economy. Just as it is for your district.

SB1281 creates new means of enforcement against short-stay rentals for the City and County of Honolulu by requiring Internet platforms to perform tasks that the City cannot perform. SB1287 reduces the financial impact of all of the Internet platforms on tourism on Oahu that agree to collect taxes. SB1287 is counter-productive to raising tax revenue.

Please vote against SB1281.

Mahalo,  
Will Page



February 2, 2017

Senate Committee on Economic Development, Tourism, and Technology  
Conference Room 414  
State Capitol  
415 South Beretania Street

Dear Chairman Wakai, Vice Chairman Taniguchi and Members of the Committee,

The Travel Technology Association, or Travel Tech, as we are known, is the trade association for online travel companies, global distribution systems and short-term rental platforms. Our members include well-known short-term rental companies such as Airbnb, Expedia's HomeAway and VRBO platforms, and TripAdvisor/FlipKey.

As I'm sure the committee is aware, short-term rental technology companies have created a vibrant marketplace for travelers and property owners, expanding the travel landscape by allowing residents to offer their homes as accommodations while providing economic benefits to communities around the world. It is with that in mind that Travel Tech writes to you today in opposition to SB 1281, and in support of SB 1087.

While Travel Tech supports SB 1281's desire to provide for short-term rental platforms to register as a transient accommodations tax collectors, we oppose the legislation's intent to deputize platforms as a state and local compliance and enforcement mechanism for short-term rentals. Travel Tech believes any legislation that would require platforms to interpret complicated local land use laws, collect and verify permits or tax IDs, and then police platform users accordingly is poorly conceived and virtually impossible to execute. In reality, such legislation would only be effective in creating a perception of regulation and enforcement, rather than any real compliance. With that in mind, we strongly encourage the Committee to pass SB 1087 instead, which simply allows platforms the opportunity to register and act as a transient accommodations tax collection agent.

With the passage of Act 204 in 2015, the legislature created a scenario in which short-term rental platforms are expected to police their users with respect to tax compliance, but are neither obligated, nor permitted to collect and remit taxes on behalf of their customers in order to bring them into compliance. SD 1087 solves this challenge by providing an opportunity for short-term rental platforms to register as a transient accommodations broker tax collection agents (TABTCA),



thereby allowing them to enter into voluntarily agreements with the tax department to collect and remit taxes on behalf of a customer community. Once a platform has registered with the Hawaii Department of Taxation, that platform would assume full liability for collecting and remitting taxes on behalf of its consumers. This is a sensible solution to a long-standing problem for the state's Department of Taxation when it comes to collecting taxes on short-term rentals.

Travel Tech recognizes that there is much work to be done in reforming local land use laws and sensibly regulating short-term rentals at the local level. Still, this is an industry that brings hundreds of thousands of visitors to Hawaii every year, generating hundreds of millions of dollars in economic impact for the state and its residents. With that in mind, we believe it is essential to Hawaii's tourism industry to allow platforms an opportunity to collect and remit taxes without the added burden of what should ultimately fall to state and local government entities- compliance and enforcement. Providing a vehicle for platforms to collect and remit taxes on behalf of their users would result in tens of millions of dollars in much needed new revenue for the state.

Travel Tech strongly encourages the Committee to pass SB 1087, as both the state and its residents have much to gain. Seeking to deputize these companies with the burden of code enforcement, as in SB 1281, would simply result in a missed opportunity for the state.

The Travel Technology Association is available to the Committee and the legislature as a resource, and we look forward to having the opportunity to work with you to develop a public policy solution that recognizes the value of short-term rentals to Hawaii so that all may benefit.

Sincerely,

A handwritten signature in black ink, appearing to read "Matthew Kiessling". The signature is fluid and cursive, with a large loop at the end.

Matthew Kiessling  
Vice President, Short-term Rental Policy  
The Travel Technology Association

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Thursday, February 2, 2017 12:47 PM  
**To:** ETT Testimony  
**Cc:** coalitionforequaltaxation@gmail.com  
**Subject:** \*Submitted testimony for SB1281 on Feb 3, 2017 13:25PM\*

**SB1281**

Submitted on: 2/2/2017

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

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
John Chang	Coalition for Equal Taxation	Oppose	No

Comments:

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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OAHU ALTERNATIVE  
LODGING ASSOCIATION  
CITIZENS FOR A SHARED ECONOMY

Senate Economic Development, Tourism, and Technology Committee  
And  
Senate Commerce, Consumer Protection and Health Committee

Friday, February 3, 2017, 1:15 pm  
Room 414

**OPPOSE: SB1281, RELATING TO TAXES**

Aloha Chairs Sen. Wakai, Sen. Baker and members of the committees:

My name is David Moyer, testifying on behalf of the Oahu Alternative Lodging Association (OALA). We represent operators and owners of short-term rentals on the island as well as associated members in housekeeping, gardening and other services. We are a non-profit organization that supports the responsible advancement of our island's short-term rental industry.

We oppose SB1281. Permitting for short-term rentals has long been outdated and ill suited for the modern economy and today's travel tastes. OALA believes that permitting and registration are needed but these rules should be updated and enforced by the counties before the state forces enforcement. Furthermore, we believe penalizing platforms for failure to comply with proof that listings are approved under county land use rules would violate the federal Communications Decency Act. It would be akin to penalizing craigslist for listing stolen property.

**Land Use Permitting Is So Complex It's Nearly Unenforceable**

- In 1989, the Honolulu City & County halted the practice of issuing new permits for short-term rentals. Only 809 permits exist, all of them grandfathered for nearly 30 years.
- Yet, there are over 6,000 alternative accommodations on Oahu according to the Hawaii Tourism Authority.
- Enforcing compliance with this outdated permitting process would potentially wipe out hundreds of millions of dollars in economic activity from this important industry.
- Currently, the City's Land Use Ordinance defines short-term rental as less than 30 days. This has been widely interpreted, even by those in the City's Department of Planning and Permitting, to allow short-term rentals not to exceed once every thirty days. However, there would be no practical way to enforce this provision.
- Zoning and land use laws vary widely by county.
  - Hawaii County fully allows short-term rentals in residential zoning.
  - Maui's permitting process is so complex that it remains difficult for many to even apply. Here's an example of just one provision:  
*"An applicant can hold only one short-term rental home permit, except when: additional permits are for short-term rental homes that each have a county assessed market value of \$3,200,000"*

*or higher at the time of each application; and permit holder files complete applications for the short-term rental home permits within one year of this chapter's original effective date."*

- Kauai has placed a moratorium on new permits for the past several years and has yet to update a permitting process.

OALA firmly believes in fostering a responsible short-term rental industry that is fully permitted and regulated by counties. However, there remains much work to be done to clarify current county rules and updating regulations for a modern economy. OALA is committed to working on these issues here on Oahu but in the meantime, we urge the legislature to capture badly needed revenue and tax dollars while each county advances land use regulations based on their unique needs – not by state mandate.



The Senate  
The Twenty-Ninth Legislature  
Regular Session of 2017

To: Sen. Glenn Wakai, Chair  
Sen. Brian T. Taniguchi, Vice Chair  
Sen. Rosalyn H. Baker, Chair  
Sen. Clarence K. Nishihara, Vice Chair

Date: February 3, 2017

Time: 1:25 p.m.

Place: Conference Room 414  
Hawaii State Capitol

**RE: Senate Bill 1281, Relating to Taxation**

Chairs Wakai and Baker, Vice Chairs Taniguchi and Nishihara and Members of the Committees:

*Rental By Owner Awareness Association (RBOAA) is a Hawaii non-profit corporation founded in 201, representing over 1000 members. Our mission is to provide Hawaii property owners with information to help them comply with the applicable State and County regulations, support the Hawaii economy by offering visitors choice in accommodation, and to advocate for the rights of Hawaii vacation property owners. RBOAA members provide transient vacation rentals in full compliance with existing tax and county regulations. RBOAA fully supports full enforcement of existing regulations.*

RBOAA supports the concept of allowing a transient accommodation broker to act as a tax collection agent. RBOAA recognizes the resource constraint in the Department of Taxation which affects the ability to pursue tax collection, and supports proposals which assist in the collection of taxes without undue burden on the taxpayer or the state. RBOAA also supports the compliance requirement in respect of county land use laws. RBOAA also applauds the significant improvements made to this bill since the 2016 session.

However, RBOAA must **OPPOSE** the bill until **two amendments are made**.

2 | SB 1281 RELATING TO TAXATION

1. Add wording stating:

“No transient accommodation broker, acting as a tax collection agent may charge a fee to an operator for providing the tax collection service when the transient accommodation broker is paid by the State of Hawaii or any county for the tax collection service.”

2. Remove the requirement to obtain certifications from the relevant county agency and use the attestation requirement from SB 1087. Obtaining certifications will be an extremely onerous burden on the county staffing resources.

Thank you for the opportunity to testify on this measure.

Sincerely,

Neal Halstead  
President,  
Rentals by Owner Awareness Association



## OPPOSE SB1281

SB1281 requires tax accountants or other brokers to monitor hosts of short term rentals to keep them in compliance with city, county, and state laws. This is a growing industry that indeed does need to be regulated, but that regulation will be complex enough without requiring a third layer of certification by agents who are not trained to do so. Tax brokers are not in the position to fairly evaluate whether hosts of short term rentals are in compliance with city, county, and state regulations. This is the job of trained people who issue licenses or permits. Let's keep this simple as it will be complicated enough to determine what is the perfect balance of growing our economy while still keeping consumers (guests) safe, small businesses (hosts and the tourist industry) viable, and neighborhoods quiet.

I urge you to oppose SB1281

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Wednesday, February 1, 2017 10:34 PM  
**To:** ETT Testimony  
**Cc:** evmcgowan@gmail.com  
**Subject:** \*Submitted testimony for SB1281 on Feb 3, 2017 13:25PM\*

**SB1281**

Submitted on: 2/1/2017

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

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Evans McGowan	Individual	Oppose	No

Comments:

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:** Wednesday, February 1, 2017 10:33 PM  
**To:** ETT Testimony  
**Cc:** evmcgowan@gmail.com  
**Subject:** \*Submitted testimony for SB1281 on Feb 3, 2017 13:25PM\*

**SB1281**

Submitted on: 2/1/2017

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

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Evans McGowan	Individual	Oppose	No

Comments:

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1 February 2017

Honolulu, Hawaii

Testimony of Mark R. Hagadone, Ph.D., FACFE

Chairs Senator Wakai, Senator Baker and honorable members of the Committee:

My name is Mark Hagadone and I am testifying **in opposition** of SB 1281. For the past year, I have rented an '*ohana* unit on my property when it isn't being used by my adult children in college or my extended family, when visiting. Doing so provides us with extra income that I use to make ends meet. It helps to pay for our children's college, mortgage and property taxes. This is especially important since I am 65 and will soon retire.

Additionally our Ohana unit used in this manner places **less** of an impact on our neighbors and neighborhood resources than the full time rental unit used to in the past. We have on property parking and are always present onsite during our rentals.

I was raised in the islands, grew up in Kaimuki, graduated from Kalani HS and the University of Hawaii and have faithfully provided the citizens of the State of Hawaii with small business employment and Income taxes for the past 60+ years. We all know how difficult it can be to make ends meet on a fixed income. The revenue generated from this sustainable business model can help the State to meet its budget shortfall.

I **oppose** SB 1281 because ***it will make it harder*** for all of us to conduct this sustainable enterprise when the laws regarding specific land use compliance are still being contested and debated by the legislature and community. It will in effect, act to kill this sustainable, non-polluting visitor friendly industry, eliminating an important revenue generating tax source for the State and Citizens of Hawaii.

Thank you for the opportunity to testify.

Mark R. Hagadone  
3900 Niele Place  
Honolulu, Hawaii 96816

To: Senator Glenn Wakai, Chair  
Senator Brian T. Taniguchi, Vice Chair

Senator Rosalyn H. Baker, Chair  
Senator Clarence K. Nishihara, Vice Chair

My name is Gina AK LeTourneur  
I represent myself  
My number is 8087824867

The hearing day is Friday, Feb 3, 2017

Re Bill 1281. I oppose this bill

I am a native of Hawaii and I am not in favor of Bill 1281.

The reasons I am not supporting this bill is because I have been renting long term for over ten years and it has not been a good experience. I am a single mother for thirty years. I worked three jobs to get where I am at. I bought a home and rented long term for over 15 years. I have had to go to court over five times, each time the court ruled in my favor. From squatters, to home destruction, to tenants skipping out on rent and leaving my place in shambles. I have supported my two daughters and I have a disabled daughter and grandson that I support. I have switched to renting 30 days or more at a time. I pay my GE and TAT license on my own. The reason I DON'T SUPPORT 1281 is because it would be too complicated to rely on brokers to be collecting my tax. The state is already backed up with other legalities and to have to issue permits by county agencies will be too complicated.

Thank you for listening to my stand on NOT SUPPORTING BILL 1281.

Gina LeTourneur

Economic Development, Tourism and Technology (ETT) Committee  
Commerce, Consumer Protection Committee and Health (CPH) Committee  
OPPOSE  
SB1281  
Friday, February 3, 2017  
Pollyanna Fisher-Pool

Aloha Chairs,

I appreciate the opportunity to testify in opposition of SB1281. Alternative lodging is important to my family as we like the unique travel experience it offers when we travel within and outside of Hawaii. Also, we have an Ohana unit that, when not being used by our extensive family visiting we occasionally rent out short term. This allows me to be able to work part time as a scientific researcher and take care of our twin toddlers, while providing income that combined with my husband's salary, we can then afford to pay our mortgage.

The state has failed to issue any transient accommodation permits in over twenty years. Vacationers want to stay at local neighborhoods and under this bill; a land use change would be needed for each home that may want to offer occasional short term rentals. This would not only increase the families' taxes and cost of living, making it unfeasible to afford to living at their home. Yet it is also an impossible task for the state to do. This would only put Hawaii back for decades and make Honolulu miss out on the great global trend that is transient accommodation rentals.

Globally, more individuals are seeking the comfort of home during travel and the opportunity of meeting locals in order to get the best neighborhood knowledge.

Alternative lodging is a growing industry worldwide and gaining popularity. Hawaii cannot place more burdens on those who seek to offer this service; this bill only puts our state behind the trend and we will miss out on the opportunity. Mahalo for your time,

Pollyanna Fisher-Pool

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Wednesday, February 1, 2017 7:44 PM  
**To:** ETT Testimony  
**Cc:** chinheng@chinheng.com  
**Subject:** Submitted testimony for SB1281 on Feb 3, 2017 13:25PM

**SB1281**

Submitted on: 2/1/2017

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

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Chin Lee	Individual	Oppose	No

Comments: Strongly oppose the requirement of obtaining compliance with county land use, as it will deter operator from operating the vacation rental unit (which generate income tax for the state) or encourage operator to operate "under the table". Enforcement will be difficult. Getting the compliance will take time.

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Wednesday, February 1, 2017 7:41 PM  
**To:** ETT Testimony  
**Cc:** mlqhawaii@gmail.com  
**Subject:** \*Submitted testimony for SB1281 on Feb 3, 2017 13:25PM\*

**SB1281**

Submitted on: 2/1/2017

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

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Michael L Quisenberry	Individual	Oppose	No

Comments:

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**To:** ETT Testimony  
**Cc:** mlqhawaii@gmail.com  
**Subject:** \*Submitted testimony for SB1281 on Feb 3, 2017 13:25PM\*

**SB1281**

Submitted on: 2/1/2017

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

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Michael L Quisenberry	Individual	Oppose	No

Comments:

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**Sent:** Wednesday, February 1, 2017 5:55 PM  
**To:** ETT Testimony  
**Cc:** bautista.aprilk@icloud.com  
**Subject:** \*Submitted testimony for SB1281 on Feb 3, 2017 13:25PM\*

**SB1281**

Submitted on: 2/1/2017

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

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
April Bautista	Individual	Support	No

Comments:

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Thursday, February 2, 2017 2:26 PM  
**To:** ETT Testimony  
**Cc:** leahlaramée@gmail.com  
**Subject:** \*Submitted testimony for SB1281 on Feb 3, 2017 13:25PM\*

**SB1281**

Submitted on: 2/2/2017

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

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Leah Laramée	Individual	Oppose	No

Comments:

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Senate Economic Development, Tourism, and Technology Committee  
Senate Commerce, Consumer Protection and Health Committee

Friday, February 3, 2017, 1:15 pm  
Room 414

**OPPOSE: SB1281, RELATING TO TAXES**

Aloha Chairs Sen. Wakai, Sen. Baker, members of the committees.

My name is Will Page, President of Page Marketing in Kailua and a member of OALA. My company publishes the *Detailed Map of Kailua* and the *Kailua Beach Map* in Japanese.

I am opposed to SB1281

I can tell you that Kailua businesses support tourism. Tourism in Kailua is vital to our economy. Just as it is for your district.

SB1281 creates new means of enforcement against short-stay rentals for the City and County of Honolulu by requiring Internet platforms to perform tasks that the City cannot perform. SB1287 reduces the financial impact of all of the Internet platforms on tourism on Oahu that agree to collect taxes. SB1287 is counter-productive to raising tax revenue.

Please vote against SB1281.

Mahalo,  
Will Page

**From:** [KS](#)  
**To:** [ETT Testimony](#)  
**Subject:** OPPOSE 1281  
**Date:** Wednesday, February 1, 2017 9:17:20 PM

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Committee on Economic Development, Tourism and Technology

And the Committee on Commerce, Consumer Protection and Health

OPPOSE

for

SB1281 RELATING TO TAXES

Testimony of Kelly Stern

Aloha Chairs Sen. Wakai, Sen. Baker and members of the committees:

My name is Kelly Stern and I am testifying to oppose of SB1281. I have lived on the big island and now in Honolulu working to improve mental health for children in public school system. In 2015 I lead the state in landing a grant for \$12.6M and won the Daniel K Inouye award for advancing the field of psychology. While my contribution to improvements for the mental health of children and families of this island have been my work for the last 27 years in Hawaii, I still have found that I need to work two jobs to make ends meet so that my children who had to move to the mainland can come back for visits or I can go visit them.

Recently I was able to make a purchase of a condo for my family to retreat to, and I use Airbnb in between times I want to bring in some revenue to fly my kids here from the mainland. It's the only way I can afford to bring them back so we can enjoy the beauty of Hawaii together.

I want a mechanism that does not criminalize or make it so difficult to follow laws that overwhelm that average taxpayer for the short term rentals. I want to pay taxes on what I receive from my guests, while still allowing me to have my condo for family gatherings.

Please oppose this bill so that those of us who struggle to work in our communities can make some extra money to enjoy time with our children and promoting family time.

Thanks you for considering this request.

Respectfully

Kelly Stern

Sent from my iPhone

Sent from my iPhone

**From:** [Mark Steiner](#)  
**To:** [ETT Testimony](#)  
**Subject:** OPPOSE – SB1281 RELATING TO TAXATION Testimony of Mark Steiner  
**Date:** Thursday, February 2, 2017 8:45:05 AM

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Senate Economic Development, Tourism, and Technology Committee And  
Senate Commerce, Consumer Protection and Health Committee

OPPOSE – SB1281

RELATING TO TAXATION

Testimony of Mark Steiner

- Aloha Chairs Sen. Wakai, Sen. Baker and members of the committees:
- My name is Mark Steiner and I appreciate the opportunity to testify in opposition to SB1281. For the past several years, after my divorce, I rent a guest room part time to help supplement my income. Even as a professional with a decent salary, the high cost of living in Hawai'i, particularly housing, is difficult, even for me. In addition, I am 67 years old, and have not yet retired, as I am not confident I can afford this, although I would be able to do on the mainland. In my 10 years here I have seen a continual movement toward making this beautiful place one that only the wealthy can afford. Notice the Teslas, Mercedes, Jaguars, and the new condos for \$1 – 4 million.
- Oahu has discontinued issuing permits since 1989, denying me the opportunity to comply with these regulations.
- I am in favor of opening up the fair and responsible issuing of permits, and withdrawal where there is abuse.
- My guests, are from around the world. Often, they would not be able to afford the full service hotels or would not stay for as long. They usually like to shop in America and spend money that otherwise would be spent outside the state.
- I pay all my TAT and GET, as well as income taxes and some of this revenue would not be available to the state if these guests could not afford to vacation here.
- The revenue generated can help the state to meet its budget shortfall and ensure everyone in this vibrant industry pays its fair share of taxes.
  - Thank you for the opportunity to testify.

--

Aloha,

Mark

**TO: Senate Economic Development, Tourism, and Technology Committee And  
Senate Commerce, Consumer Protection and Health Committee**

**RE: TESTIMONY in OPPOSITION TO SB1281, RELATING TO TAXATION**

HEARING:

<b>Committee</b>	<b>Room</b>	<b>Date/Time</b>
<b>ETT/CPH</b>	<b>414</b>	<b>Feb 3, 2017 1:25 PM</b>

**TESTIMONY FROM: "Loke" Susan Simon**

Aloha, Chairs Sen. Wakai, Sen. Baker and members of the committees:

Thank you for representing the people of our State and considering our views.

I appreciate the opportunity to testify in opposition to SB1281 which allows platforms (such as Airbnb, VRBO, HomeAway) to collect and remit GET and TAT on behalf of short-term rental operators BUT ALSO PUTS THE BURDEN OF PROVING COMPLIANCE OF AN OUTDATED REGULATION ON WELL-MEANING CITIZENS.

As a tax-paying resident of the State for almost 30 years, I support efforts to EFFICIENTLY and EFFECTIVELY collect and process tax revenues for the State. HOWEVER, there is no sense in placing additional burdens on citizens to comply with outdated regulations put in place at a time when things were very, very different.

PLEASE DO NOT MAKE ANY MORE LAWS AND RULES THAT ARE BASED ON OUTDATED LAWS AND RULES. USE YOUR TIME TO MAKE THE BEST OF WHAT'S AVAILABLE IN THE PRESENT DAY, TIME AND MARKETPLACE.

In conclusion, the State needs revenue -- HOWEVER, I believe passage of this bill would UNNECESSARILY LIMIT THE STATE'S POTENTIAL REVENUE while at the same time BURDEN THE TAXPAYING CITIZEN.

Thank you for the opportunity to testify.



Senate Economic Development, Tourism, and Technology Committee And

Senate Commerce, Consumer Protection and Health Committee

OPPOSE

for

**SB 1281, RELATING TO TAXATION**

Testimony of Millie Hyde

Aloha Chairs Sen. Wakai, Sen. Baker and members of the committees:

My name is Millie Hyde and I am testifying in OPPOSITION of Bill SB1281. Since there is a bill SB1087 already up for hearing that would require operators of short term rentals to collect and remit GET and TAT, this measure goes further and requires platforms and short-term rental owners or operators to provide written verification of county land use compliance. Since there is not a uniform structure by the state to establish guidelines for compliance and in the case of the C&C of Honolulu who has not even held hearings on the subject for over approximately a decade this measure should be rejected. The potential for revenues for this industry are significant but it will be required that the counties of Hawaii and the State act in consort to realize the benefits that this industry can provide. The C&C of Honolulu granted permits in 1986 but suspended them in 1989 and has refused any discussion since then. Other counties have gone through a similar process but there is no consistency statewide that can be used to conform to the stated verification in SB1281. Additionally since the C&C of Honolulu had issued permits and now refuses to revisit the issue it has created a discriminatory situation allowing a few operators to exist but denying any new qualified operators to apply. Again similar situations exist in all of the counties in Hawaii. The legislature needs to accept the industry in Hawaii and like other states working with the industry, for example the state of Arizona, require the counties to embrace it and find ways for it to legally exist.

Mahalo for allowing me to testify.

Senate Economic Development, Tourism, and Technology Committee And

Senate Commerce, Consumer Protection and Health Committee

OPPOSE

for

**SB 1281, RELATING TO TAXATION**

Testimony of Norm Nichols

Aloha Chairs Sen. Wakai, Sen. Baker and members of the committees:

My Name is Norm Nichols and I am testifying in OPPOSITION of Bill SB1281. Since there is a bill SB1087 already up for hearing that would require operators of short term rentals to collect and remit GET and TAT, this measure goes further and requires platforms and short-term rental owners or operators to provide written verification of county land use compliance. Since there is not a uniform structure by the state to establish guidelines for compliance and in the case of the C&C of Honolulu who has not even held hearings on the subject for over approximately a decade this measure should be rejected. The potential for revenues for this industry are significant but it will be required that the counties of Hawaii and the State act in consort to realize the benefits that this industry can provide. The C&C of Honolulu granted permits in 1986 but suspended them in 1989 and has refused any discussion since then. Other counties have gone through a similar process but there is no consistency statewide that can be used to conform to the stated verification in SB1281. Additionally since the C&C of Honolulu had issued permits and now refuses to revisit the issue it has created a discriminatory situation allowing a few operators to exist but denying any new qualified operators to apply. Again similar situations exist in all of the counties in Hawaii. The legislature needs to accept the industry in Hawaii and like other states working with the industry, for example the state Arizona, require the counties to embrace it and find ways for it to legally exist.

Mahalo for allowing me to testify.

Senate Economic Development, Tourism, and Technology Committee And  
Senate Commerce, Consumer Protection and Health Committee

OPPOSE - SB1281 RELATING TO TAXES

Testimony of Ada Eschen

Aloha Chairs Sen. Wakai, Sen. Baker and members of the committees:

I am testifying in opposition of SB1281.

I am the owner of a vacation rental condo in an approved vacation rental zone in Kihei, Maui. I have been collecting and paying taxes on the revenues I collect since I began renting in 2010. Collecting and paying taxes is just one of many business responsibilities I handle on a regular and ongoing basis. The Hawaii Department of Tax website is a wonderful tool and has made handling taxes very easy and simple.

I do not need or want my marketing platform or any third party to have another level of control on my business finances. Allowing a marketing platform or third party to collect and pay taxes that are a part of my responsibility will only open a door to more charges, controls, audits, legislation, mandates etc. Allowing a third party to collect and pay our taxes in order to solve the problem of some people not paying their taxes, only shifts the problem from one area to another and does nothing to resolve it. We already have a tax collector, its called HI DOTAX. If HI DOTAX and existing laws did what they were intended to do, none of these types of bills would be submitted for consideration.

Thank you for the opportunity to testify.

Ada Eschen  
adaeschen@yahoo.com

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Thursday, February 2, 2017 8:24 AM  
**To:** ETT Testimony  
**Cc:** kktarvyd@gmail.com  
**Subject:** Submitted testimony for SB1281 on Feb 3, 2017 13:25PM

**SB1281**

Submitted on: 2/2/2017

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

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Rosario Tarvyd	Individual	Oppose	No

Comments: SB1281 requires tax accountants or other brokers to monitor hosts of short term rentals to keep them in compliance with city, county, and state laws. This is a growing industry that indeed does need to be regulated, but that regulation will be complex enough without requiring a third layer of certification by agents who are not trained to do so. Tax brokers are not in the position to fairly evaluate whether hosts of short term rentals are in compliance with city, county, and state regulations. This is the job of trained people who issue licenses or permits. Let's keep this simple as it will be complicated enough to determine what is the perfect balance of growing our economy while still keeping consumers (guests) safe, small businesses (hosts and the tourist industry) viable, and neighborhoods quiet.

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**To:** ETT Testimony  
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**Subject:** \*Submitted testimony for SB1281 on Feb 3, 2017 13:25PM\*

**SB1281**

Submitted on: 2/2/2017

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

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Elen Stoops	Individual	Oppose	No

Comments:

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