

# TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

**SUBJECT:** TRANSIENT ACCOMMODATIONS, Distribution to Counties

**BILL NUMBER:** SB 1290; HB 1467 (Identical)

**INTRODUCED BY:** SB by K. KAHELE, GALUTERIA, GREEN, RUDERMAN, Dela Cruz, Nishihara, Shimabukuro, Wakai; HB by TODD, CACHOLA, MORIKAWA, SAY, Brower, Nakashima

**EXECUTIVE SUMMARY:** 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.

**SYNOPSIS:** Amends section 237D-6.5, HRS, to allocate the proceeds from the transient accommodations tax as follows:

(1) \$82 million goes to the tourism special fund; (2) \$26.5 million is deposited into the convention center enterprise special fund; (3) \$3 million is allocated to the special land and development fund; (4) \$1.5 million goes to the Turtle Bay conservation easement special fund. Of the balance, 45% is transferred to the various counties, and any remaining revenues then go to the general fund.

The \$82 million amount in (1) above is to be adjusted annually according to the consumer price index for urban consumers (CPI-U) calculated by the U.S. Department of Labor.

Makes conforming amendments to HRS sections 87A-42 and 171-19.

**EFFECTIVE DATE:** July 1, 2017.

**STAFF COMMENTS:** Act 161, SLH 2013, made permanent the TAT rate of 9.5% and changed the allocations of TAT from a percentage basis to a specific dollar amount. Currently, TAT revenues are allocated as follows: (1) \$1.5 million goes to the Turtle Bay conservation easement special fund; (2) \$26.5 million is deposited into the convention center enterprise special fund; (3) \$82 million goes to the tourism special fund; (4) \$103 million is transferred to the various counties; and (5) \$3 million is allocated to the special land and development fund. Any remaining revenues then go to the general fund.

This measure would increase the siphon of TAT revenues to the tourism special fund and would perpetuate the earmarking of TAT revenues. Most of us understand that tourism promotion is a worthy goal. But does that justify grabbing a pot of TAT money without going through the normal budgeting process that also considers sweltering primary schools, underfunded state pensions, or homelessness?

Rather than the continual earmarking of TAT revenues, a direct appropriation of general funds would be preferable. Earmarking the TAT revenues for a particular purpose decreases transparency and accountability.

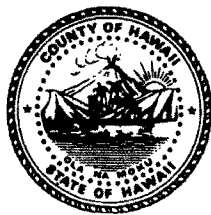
The measure recites that “the application of the transient accommodations tax and the allocation of its revenues should be simplified and stabilized to be clear, consistent, and predictable over time, in view of the need to invest in tourism. Instead of fixed dollar amounts, caps, floors, or similar restrictions on allocations, the State and county allocations should increase or decrease proportionately with increasing or decreasing transient accommodations tax revenues.” Are these two sentences even consistent? Isn’t a fixed amount that is now in the law clear, consistent, and predictable over time, much more so than inflation-adjusted amounts or percentages?

This proposal indicates that county governments have grown well beyond their means and are desperately searching for more available revenue. The counties have justified their share of the TAT by rationalizing that the funds go to pay for the impact visitors have on county facilities and services; however, at the same time all four counties have managed to impose much higher tax rates on hotel/resort real property and in one case a special rate on resort time share property.

The search for more and higher taxes must stop somewhere. Both levels of government need to resize their operations and set priorities for what limited resources taxpayers can share with government.

Digested 2/13/2017

Harry Kim  
Mayor



Wil Okabe  
Managing Director

Barbara J. Kossow  
Deputy Managing Director

County of Hawai'i  
Office of the Mayor

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(808) 323-4444 • Fax (808) 323-4440

February 13, 2017

Senator Glenn Wakai  
Economic Development, Tourism and  
Technology  
Senator Clarence Nishihara  
Public Safety, Intergovernmental and  
Military Affairs  
Hawai'i State Capitol  
Honolulu, HI 96813

Dear Chairs Wakai and Nishihara, and members:

RE: **SB 1290**

Thank you for this opportunity to testify in support of SB 1290.

Given Hawaii County's limited resources (and seemingly unlimited needs), we are fortunate that the Legislature has allowed the counties to share in the TAT. The TAT is a vital revenue source in balancing our budget, and we thank you for it.

Since the State and the counties serve the same constituents, it is important that we continue to work as partners in meeting the needs of our communities. As demand for services is ever increasing (and so is the cost of those services), it is equally important that revenue be appropriately shared so that the demands can be met to the best of our collective ability.

Although I could hope for even more, SB 1290 seems to be a reasonable division of revenue among the various parties that are looking for a piece of the TAT pie. SB 1290 recognizes that there should not be a cap on the counties' share, and that without TAT, the counties would be forced to raise property taxes and/or reduce services to levels that most would find unacceptable.

I urge you to approve SB 1290

Respectfully submitted,

Harry Kim  
Mayor

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, February 13, 2017 12:11 PM  
**To:** ETT Testimony  
**Cc:** sue.leeloy@hawaiicounty.gov  
**Subject:** Submitted testimony for SB1290 on Feb 15, 2017 13:15PM

**SB1290**

Submitted on: 2/13/2017

Testimony for ETT/PSM on Feb 15, 2017 13:15PM in Conference Room 414

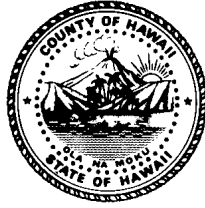
<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Council Woman Sue Lee Loy	Hawai'i County Council	Support	No

Comments: In strong support of this measure

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*Aaron S. Y. Chung*  
*Council Member*  
*District 2 South Hilo*



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***HAWAI'I COUNTY COUNCIL***

*County of Hawai'i*  
*Hawai'i County Building*  
*25 Aupuni Street*  
*Hilo, Hawai'i 96720*

**TESTIMONY OF AARON CHUNG**  
**HAWAI'I COUNTY COUNCIL MEMBER**

**COMMITTEE ON ECONOMIC DEVELOPMENT, TOURISM AND TECHNOLOGY**

**COMMITTEE ON PUBLIC SAFETY, INTERGOVERNMENTAL AND MILITARY  
AFFAIRS**

**HEARING DATE: TUESDAY, FEBRUARY 15, 2017**

**IN SUPPORT OF SB1290, RELATING TO THE TRANSIENT ACCOMODATIONS TAX**

Chairs Wakai and Nishihara and Committee Members,

Thank you for allowing me the opportunity to voice my support for SB1290, which adjusts allocation of transient accommodations tax revenues to the counties. This is one of several House and Senate bills which will be considered by the legislature this session, regarding the issue of TAT revenues. Rather than reiterating the many reasons offered by the Counties over the years in support of receiving a proportionate or increased amount of the TAT, let me simply say that I support all measures which strive toward that end.

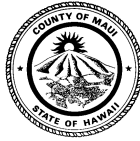
Your support of SB1290 and other bills aimed at ensuring the counties continue to receive TAT revenues will be greatly appreciated. Thank you for considering my thoughts on this matter.

Council Chair  
Mike White

Vice-Chair  
Robert Carroll

Presiding Officer Pro Tempore  
Stacy Crivello

Councilmembers  
Alika Atay  
Elle Cochran  
Don S. Guzman  
Riki Hokama  
Kelly T. King  
Yuki Lei K. Sugimura

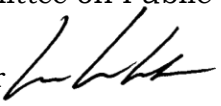


Director of Council Services  
Sandy K. Baz

**COUNTY COUNCIL**  
COUNTY OF MAUI  
200 S. HIGH STREET  
WAILUKU, MAUI, HAWAII 96793  
www.MauiCounty.us

February 14, 2017

TO: The Honorable Glenn Wakai, Chair  
Senate Committee on Economic Development, Tourism, and Technology  
The Honorable Clarence K. Nishihara, Chair  
Senate Committee on Public Safety, Intergovernmental, and Military Affairs

FROM: Mike White  
Council Chair 

SUBJECT: **HEARING OF FEBRUARY 15, 2017; TESTIMONY IN SUPPORT OF SB 1290 RELATING TO THE TRANSIENT ACCOMMODATIONS TAX**

Thank you for the opportunity to testify in **support** of this important measure. The purpose of this bill is to (1) adjust the allocation of transient accommodations tax revenues to the tourism special fund for inflation; and (2) adjust the allocation to the counties to equal 45 percent of the amount of revenues remaining after all other allocations are made.

The Maui County Council has not had the opportunity to take a formal position on this measure. Therefore, I am providing this testimony in my capacity as an individual member of the Maui County Council.

In addition to serving as chair of the Maui County Council, my testimony is also informed by my visitor industry experience as general manager of the Kaanapali Beach Hotel for 30 years, and through my service as a state legislator from 1993 to 1998.

I support this measure for the following reasons:

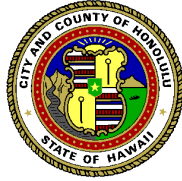
1. The State-County Functions Working Group created under Act 174 (2014) issued a report that found the counties are responsible for 54 percent of net expenditures directly supporting tourism, while the State provides 46 percent. They recommended that after specific appropriations, the remainder of the TAT should be allocated to the State and counties, with the State receiving 55 percent, and the counties receiving 45 percent.
2. The TAT was established to help the counties fund **visitor-related expenses** based on a **percentage of earned revenue**. Reducing the counties share of the TAT contradicts the purpose for the tax.

3. Pursuant to Act 185 (1990), 95 percent of the TAT revenue was returned to the counties. The dramatic reallocation of the TAT in 2009 was a temporary measure to help balance the State budget due to the economic downturn. At the time, the State increased the TAT and arbitrarily capped the counties' share to help balance the State's budget. Since then, the cap for the counties has remained in place and the State has offered no significant assistance as the counties have experienced greater economic challenges in the ensuing years.
4. From Fiscal Year 2007 to 2015, the State's annual share of TAT revenue has increased by \$196.6 million, while counties only received an additional \$2.2 million. As partners in Hawaii's governance, it is critical that the State provide a greater share of TAT to the counties, which provides essential services to residents and visitors.
5. During the same period, counties have incurred \$170 million in cost **increases** in fire, police, roads, and park services. County expenditures for tourism-related services continue to rise at a pace far exceeding the current distribution of TAT revenue. Sound fiscal practices favor a policy that **increases** the distribution of TAT revenue to the counties at the same rate that revenues grow.
6. The policy for TAT revenue distribution should again be based on a formula that **returns a set percentage of revenue to the counties** where it is earned, rather than a fixed amount of money. A formula-based policy allows distributions to the counties to increase as visitor numbers grow, without a need to change State law. Further, a capped-distribution policy gives the wrong impression that returning TAT revenue to the counties is a kind of charitable donation that must be sought by the counties year after year. TAT revenues are not charity to the counties, but money owed to them. TAT is revenue generated from tourists intended to cover county costs associated with hosting those tourists.

For the foregoing reasons, I **support** this measure.

**OFFICE OF THE MAYOR  
CITY AND COUNTY OF HONOLULU**

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KIRK CALDWELL  
MAYOR

ROY K. AMEMIYA, JR.  
MANAGING DIRECTOR

GEORGETTE T. DEEMER  
DEPUTY MANAGING DIRECTOR

**CITY AND COUNTY OF HONOLULU  
BEFORE THE SENATE COMMITTEES ON  
ECONOMIC DEVELOPMENT, TOURISM, AND TECHNOLOGY  
AND PUBLIC SAFETY, INTERGOVERNMENTAL, AND  
MILITARY AFFAIRS**

WEDNESDAY, FEBRUARY 15, 2017; 1:15 PM

TO: THE HONORABLE GLENN WAKAI, CHAIR  
THE HONORABLE BRIAN T. TANIGUCHI, VICE CHAIR  
AND MEMBERS OF THE COMMITTEE ON ECONOMIC  
DEVELOPMENT, TOURISM, AND TECHNOLOGY

THE HONORABLE CLARENCE K. NISHIHARA, CHAIR  
THE HONORABLE GLENN WAKAI, VICE CHAIR  
AND MEMBERS OF THE SENATE COMMITTEE ON PUBLIC SAFETY,  
INTERGOVERNMENTAL, AND MILITARY AFFAIRS

FROM: ROY K. AMEMIYA, JR., MANAGING DIRECTOR  
CITY AND COUNTY OF HONOLULU

SUBJECT: SUPPORT OF SB1290 RELATING TO THE TRANSIENT  
ACCOMMODATIONS TAX.

The City and County of Honolulu (City) supports the provisions of this measure that provide a fair, consistent, and predictable allocation of the balance of the transient accommodations tax (TAT) revenues between the State and the counties by allocating 45 percent of the remaining revenues to the counties at the current split.

According to the Auditor's State-County Functions Working Group December 2015 Report, the City spends approximately \$116 million on visitor-related expenses and this number continues to grow. The other counties also spend significant amounts on visitor-related expenses. This measure recognizes the counties' contributions towards our visitor industry.

Thank you for your consideration of this testimony in support of the provisions that amend the counties' allocation of the TAT.



# Hawai`i State Association of Counties (HSAC)


Counties of Kaua`i, Maui, Hawai`i and City & County of Honolulu

200 S. High Street, Wailuku, Hawaii 96793 (808) 270-7665



[www.hicounties.com](http://www.hicounties.com)

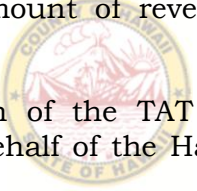


February 14, 2017

TO:  The Honorable Glenn Wakai, Chair  
Senate Committee on Economic Development, Tourism, and Technology

The Honorable Clarence K. Nishihara, Chair  
Senate Committee on Public Safety, Intergovernmental, and Military Affairs

FROM: Stacy Crivello   
HSAC President 

SUBJECT: **HEARING OF FEBRUARY 14, 2017; PROVIDING COMMENTS ON SB 1290, RELATING TO THE TRANSIENT ACCOMMODATIONS TAX** 

Thank you for the opportunity to provide comments on behalf of the Hawaii State Association of Counties. The purpose of this measure is to (1) adjust the allocation of transient accommodations tax revenues to the tourism special fund for inflation; and (2) adjust the allocation to the counties to equal 45 percent of the amount of revenues remaining after all other allocations are made.

Over the years, HSAC has fought for a more equitable distribution of the TAT and returning a fair share to the counties. I am providing comments on behalf of the Hawaii State Association of Counties:

1. **HSAC supports the measure's 55-45 percent split** of the remaining TAT allocation. The distribution is consistent with the work done in 2015 by the State-County Functions Working Group, tasked by the Legislature to recommend an appropriate allocation of the transient accommodations tax revenues between the State and counties.
2. Without a fair share of the TAT, **county residents are burdened** by expenses that should be paid for by the visitors' tax. Operational costs have increased dramatically for county-maintained services such as water and sewer service; police, fire and ocean safety protection; development and upkeep of most roads; and park development and maintenance.
3. **HSAC supports lifting the fixed cap** in favor of using a fair formula for the distribution of TAT.

Mahalo for your consideration.

*HSAC:FY2017:17Testimony:SB1290a\_m kz*



Hawai'i Convention Center  
1801 Kalākaua Avenue, Honolulu, Hawai'i 96815  
**kelepona** tel 808 973 2255  
**kelepa'i** fax 808 973 2253  
**kahua pa'a** web [hawaii-tourismauthority.org](http://hawaii-tourismauthority.org)

**David Y. Ige**  
Governor

**George D. Szigeti**  
President and Chief Executive Officer

Statement of  
**George D. Szigeti**  
Chief Executive Officer  
Hawai'i Tourism Authority

on

**SB1290 Relating to the Transient Accommodations Tax**  
Senate Committees on Economic Development, Tourism, and Technology  
and Public Safety, Intergovernmental, and Military Affairs  
Wednesday, February 15, 2017  
1:15 p.m.  
Conference Room 414

The Hawai'i Tourism Authority (HTA) offers the following **testimony opposing** the portion of SB1290 that would earmark \$500,000 of the transient accommodations tax (TAT) revenues distributed to the Tourism Special Fund (TSF) for structural improvements to parks and public facilities. As a consequence of the allocation for structural improvements to parks and public facilities, SB1290 would reduce the earmark for the Hawaiian center and the museum of Hawaiian music and dance (the Center) at the Hawai'i Convention Center from \$1,000,000 to \$500,000. The remainder of SB1290 would set the distribution of TAT revenues to the TSF at \$82,000,000 plus inflation and adjust TAT allocations to the counties to equal 45% of the revenues remaining after all other allocations have been made. **HTA's opposition to SB1290 is limited to the earmark for structural improvements, which would correspondingly reduce the funds available for the Center.**

The TSF funds support HTA's efforts to market Hawai'i to the world. Last year, the visitor industry supported 191,000 jobs and brought in \$1.8 billion in tax revenue. Charged with supporting this economic engine, HTA is responsible for developing, coordinating and implementing state policies for tourism-related activities, including the preservation of Hawaiian culture and history. Indeed, HTA was specifically created to lead the State's efforts to ensure that Hawai'i remains a premier visitor destination.

As Hawai'i's tourism agency, HTA uses its research and industry and marketing expertise to develop and implement the state's strategic tourism marketing plan. Part of this mission is to support programs that enhance and showcase Hawai'i's people, place and culture in order to deliver an incomparable visitor experience. While the promotion of a healthy lifestyle and physical activity at parks and public facilities is an important goal, the purpose of the TSF is not to pay for structural improvements to parks and public facilities.

The current \$1,000,000 for operation of the Center supports HTA's efforts to tell the story of Hawai'i's unique culture through poetry, music and dance. Reducing the fund would be detrimental to the Center, which has begun plans to preserve Hawai'i's stories and history. In

2016, Hawai‘i lost many of its icons who had helped to perpetuate Hawai‘i’s unique culture. We must ensure that their work is not lost to future generations. The Center is the first of its kind and unique in its mission to preserve and continue Hawaiian music and dance.

HTA recognizes that public facilities and parks are used by visitors to our state. Under HRS § 237D-6.5, \$3,000,000 is currently allocated to the special land and development fund to be used in accord with HTA’s strategic plan for the “protection, preservation, maintenance and enhancement of natural resources, including beaches, important to the visitor industry” and other efforts. Although HTA supports other efforts to improve our public facilities, HTA respectfully suggests that those efforts would be better funded from another source, such as general TAT revenues. For instance, the counties currently receive \$103,000,000 in TAT revenue. A bill under consideration this session would fix that amount at \$103,000,000.

HTA looks forward to working with all State and county departments and agencies to improve the condition of the State’s natural environment. Our ‘āina is important to all of us, visitors and residents alike, and we will work to ensure that it is respected and managed for Hawai‘i’s future. It would not be prudent, however, to take the funds needed for HTA to fulfill its mission. If we reduce our focus on attracting visitors and improving visitor spending, we will undermine Hawai‘i’s position in the market. While HTA does not seek an increase in TSF funding this legislative session, it may be necessary in the future to increase allocations to the TSF if global market competition, program needs, or other priorities and opportunities support an increase.

Mahalo for the opportunity to offer this testimony in partial opposition.

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Thursday, February 9, 2017 9:53 PM  
**To:** ETT Testimony  
**Cc:** micahalameda@gmail.com  
**Subject:** \*Submitted testimony for SB1290 on Feb 15, 2017 13:15PM\*

**SB1290**

Submitted on: 2/9/2017

Testimony for ETT/PSM on Feb 15, 2017 13:15PM in Conference Room 414

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Micah Alameda	Individual	Support	No

Comments:

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, February 6, 2017 5:23 PM  
**To:** ETT Testimony  
**Cc:** mendezj@hawaii.edu  
**Subject:** \*Submitted testimony for SB1290 on Feb 15, 2017 13:15PM\*

**SB1290**

Submitted on: 2/6/2017

Testimony for ETT/PSM on Feb 15, 2017 13:15PM in Conference Room 414

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Javier Mendez-Alvarez	Individual	Support	No

Comments:

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