

DAVID Y. IGE  
GOVERNOR



WESLEY K. MACHIDA  
DIRECTOR

LAUREL A. JOHNSTON  
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM  
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND  
OFFICE OF THE PUBLIC DEFENDER

**STATE OF HAWAII  
DEPARTMENT OF BUDGET AND FINANCE**

P.O. BOX 150  
HONOLULU, HAWAII 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE  
BUDGET, PROGRAM PLANNING AND  
MANAGEMENT DIVISION  
FINANCIAL ADMINISTRATION DIVISION  
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

**WRITTEN ONLY**

**TESTIMONY BY WESLEY K. MACHIDA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
TO THE HOUSE COMMITTEE ON FINANCE  
ON  
SENATE BILL NO. 704, S.D. 2, H.D. 1**

**April 4, 2017  
2:00 p.m.  
Room 308**

**RELATING TO VACATION RENTALS**

Senate Bill No. 704, S.D. 2, H.D. 1: 1) allows transient accommodations brokers to register as tax collection agents to collect and remit general excise and transient accommodations taxes on behalf of operators and plan managers using their service for vacation rentals; 2) ensures that the subject property is in compliance with applicable land use laws; and 3) allocates \$1,000,000 of transient accommodations tax (TAT) revenues to each county for FY 17-18 for "compliance and enforcement of the tax" under the bill.

The department would like to point out that there is ambiguity with respect to the counties' role in "compliance and enforcement" of the TAT. The Department of Taxation is the agency responsible for ensuring compliance with the State's tax laws. The counties' have authority over real property taxation and ensuring compliance and enforcement of county land use and zoning laws. Consequently, we recommend that the language in Section 5 of the bill be clarified to reflect the compliance duties that the counties will have under this bill.

Thank you for your consideration of our comments.

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 Sylvia Luke, Chair  
and Members of the House Committee on Finance

Date: Tuesday, April 4, 2017  
Time: 2:00 P.M.  
Place: Conference Room 308, State Capitol

From: Maria E. Zielinski, Director  
Department of Taxation

Re: S.B. 704, S.D. 2, H.D. 1, Relating to Vacation Rentals

The Department of Taxation (Department) provides the following comments on S.B. 704, S.D. 2, H.D. 1, for your consideration.

S.B. 704, S.D. 2, H.D. 1, permits a transient accommodations broker to register as a tax collection agent on behalf of its operators and plan managers. The bill has a defective effective date of July 1, 2117, but would otherwise apply to taxable years beginning after December 31, 2017, and sunset on December 31, 2022. 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 deemed to be licensed under chapters 237 and 237D, Hawaii Revised Statutes (HRS), for business activities conducted directly through the broker.
- 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 Director of Taxation may require the registered agent to provide, with the annual return, a list of the federal tax identification numbers of all operators to whom the registered agent provided information returns under the Internal Revenue Code
- The registered agent shall provide the names or addresses of its operators to the Director of Taxation when requested through an administrative subpoena or upon

waiver by the operator.

- The registered agent shall report annually to the Director on an aggregate basis the total number of operators and plan managers by county, on whose behalf the registered agent collected and remitted taxes, and the total taxes by county collected and remitted.

#### Disclosure

- All returns and return information shall be confidential, except that the names and addresses provided by a registered agent shall be disclosed to a county tax official for the limited purpose of real property tax administration.

#### Compliance with Land Use Laws

- Prior to advertising a property, the registered agent shall (1) notify the operator that the property is required to be in compliance with applicable land use laws and (2) require the operator to attest that the property is in compliance with applicable land use laws.

#### Allocation of Revenue

- Section 237D-6.5, HRS, is amended by allocating \$4,000,000 to the counties for compliance and enforcement of the tax.

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.

Second, the Department notes that in Section 2 of this bill, although section 237-\_\_\_\_ (f)(2) allows return information provided by registered agents to be disclosed to county tax officials, no such exception is made in section 237-34, HRS, which makes it a class C felony for an officer or employee of the State to disclose tax return information to any person not listed in subsection (b). The Department therefore suggests that section 237-34(b), HRS, is amended by adding a new paragraph (14) as follows:

(14) With respect to returns and the names and addresses provided by a registered transient accommodations broker tax collection agent, a duly authorized county tax official for the limited purpose of real property tax administration.

Similarly, the Department suggests amending section 237D-13(a), HRS, by adding a new paragraph (13) as follows:

(13) With respect to returns and the names and addresses provided by a registered transient accommodations broker tax collection agent, a duly authorized county tax official for the limited purpose of real property tax administration.

Third, the Department recommends a technical amendment in subsection (g) of Sections 2 and 3 of the bill as follows:

The director may require [~~the~~] a transient accommodations broker [~~tax collection agent~~], as a condition of [~~obtaining a license,~~] registering as a tax collection agent, to furnish with an annual return, a list including the federal tax identification number of all operators and plan managers for the taxable year to whom the transient accommodations broker tax collection agent has provided information returns required under the Internal Revenue Code, and any other information that is relevant to ensure property payment of taxes under title 14.

Fourth, the Department notes that Section 5 of the bill allocates revenue from the transient accommodations tax to the counties “for compliance and enforcement of the tax” under chapter 237D, HRS. The counties, however, do not administer or enforce the transient accommodations tax.

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.



**SB704 SD2 HD1**  
**RELATING TO VACATION RENTALS**  
House Committee on Finance

April 4, 2017

2:00 p.m.

Room 308

The Office of Hawaiian Affairs (OHA) Board of Trustees offers the following **COMMENTS** on SB704 SD2 HD1. Although SB704 SD2 HD1 may help the state capture additional tax revenue, it may also frustrate the counties ability to meaningfully enforce pre-existing regulations on short-term vacation rentals.

Unfortunately, notwithstanding county land use ordinances that prohibit their operation in certain areas, illegal short term vacation rentals have proliferated throughout the state. Such vacation rentals may have currently removed and may in the future remove much-needed units from the residential rental market, which can exacerbate rising housing costs that already exceeds what many state residents are able to afford.<sup>i</sup> OHA notes, Native Hawaiians are particularly disadvantaged by land uses that contribute to increased housing costs and rental housing shortages.<sup>ii</sup> **Without meaningful enforcement of county land use laws, the potential impacts of illegal short term vacation rentals on the long-term housing market will remain unaddressed.**

**As drafted, SB704 SD2 HD1 may, albeit unintentionally, frustrate the counties ability to meaningfully enforce county land use laws relating to vacation rentals, and penalize individual operators whom may be unaware of existing county laws.** Instead of requiring proof of compliance or assistance with compliance, SB704 SD2 HD1 would only require that a broker notify a vacation rental operator of the applicable county land use laws as part of the acceptance of the terms of service of the website. **As such, the broker absolves themselves of any responsibility, while leaving individual operators liable for any fines they may incur for violations of county land-use laws.** Additionally, as the broker receives up to 15% of the total rental transaction, the broker is incentivized to continue to allow illegal or unknowingly illegal operators to rent and remit taxes, while knowing it is only the individual operators wo will face fines for unpermitted use. SB704 SD2 HD1 also does not include important enforcement provisions that might assist the counties in identifying those who post illegal listings or listings that commercialize public land and resources.

As it considers this measure, OHA respectfully urges the committee to include more robust enforcement language that will not place the entire burden of enforcement, as well as fines for unpermitted operation, on individual operators who may be uninformed.

OHA prefers the language of HB1471 HD3 SD1, which would allow the state to receive revenue, while also ensure brokers that choose to remit taxes, bear some responsibility for the listings and assisting county enforcement. OHA urges the state to better facilitate the meaningful enforcement of county land use regulations and to mitigate the impacts of unlawful short term vacation rentals on our beneficiaries and others seeking housing in our islands.

Mahalo for the opportunity to testify on this measure.

---

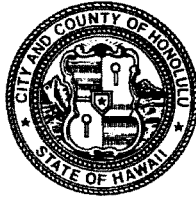
<sup>i</sup> For example, a recent study by the Department of Business, Economic Development & Tourism (DBEDT) indicates that the recent increase in demand for single family vacation rentals has already contributed to the overall increase in demand for housing units in our islands. Notably, the Hawai'i Tourism Authority report found 45,075 total properties available for short term vacation rentals, with between 21,295 and 23,002 as non-commercial vacation rental units advertised in 2016. 70% of these properties are offered by out-of-state property owners. See THE IMPACTS OF VACATION RENTAL UNITS IN HAWAI'I, 2016, p. 5, *available at* <http://www.hawaiitourismauthority.org/default/assets/File/Housing%20and%20Tourism%20113016.pdf>

<sup>ii</sup> Native Hawaiians substantially rely on the rental market. Native Hawaiian homeownership rate is significantly lower than the state average and must rely substantially on the rental housing market. See OFFICE OF HAWAIIAN AFFAIRS, OHA DATA BOOK HOUSING TENURE BY RACE-ETHNICITY IN HAWAI'I 2014, *available at* <http://www.ohadatabook.com/T02-131-15u.pdf>. This figure includes 8,329 DHHL residential lease "owner-occupied" property units. DHHL ANNUAL REPORT 2014, p. 48, *available at* <http://dhhl.hawaii.gov/wp-content/uploads/2011/11/DHHL-Annual-Report-2014-Web.pdf>. For non-DHHL properties, the Native Hawaiian homeownership rate is therefore 41.2%, 15.5 percentage points below the statewide rate.

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  
DEPUTY DIRECTOR

April 4, 2017

The Honorable Sylvia Luke, Chair  
and Members of the Committee on Finance  
Hawaii House of Representatives  
Hawaii State Capitol  
415 South Beretania Street  
Honolulu, Hawaii 96813

Dear Chair Luke and Committee Members:

Subject: Senate Bill No. 704, SD 2, HD 1  
Relating to Vacation Rentals

The Department of Planning and Permitting (DPP) **opposes, as amended**, Senate Bill No. 704, SD 2, HD 1, which would allow transient accommodations brokers to register as tax collection agents to collect and remit general excise and transient accommodations taxes on behalf of operators and plan managers using their services.

We do not take a position on the means of collecting the taxes, and we support the Bill's allocation of \$1 million of the Transient Accommodations Tax revenues to each county to help enforce transient vacation rental ordinances, but we have concerns with the Bill as amended

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. We've seen studies that report this number has increased dramatically in the past three years.

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. In 2016, we added three special inspectors just to investigate short-term rental complaints. With this support, we inspected or re-inspected 3,392 complaints of illegal vacation rental units, but this resulted in only 91 Notices of Violation (NOV) being issued because of the difficulties we face in proving that a unit is being operated illegally.

The Honorable Sylvia Luke, Chair  
and Members of the Committee on Finance  
Hawaii House of Representatives  
Senate Bill No. 704, SD 2, HD 1  
April 4, 2017  
Page 2

The DPP's main concern with this Bill is the provision that would require the operator or plan manager of the property being used for transient accommodations to "attest that the subject property is in compliance with applicable land use laws by using the following language: 'By accepting the Terms of Service, I agree and attest that I have reviewed all applicable laws and regulations and that my listing is in compliance.'" As written, the operator or plan manager is left to basically self-certify, with no provisions for verification that he or she is in compliance with county laws. Our recommendation is that the operator or plan manager be required to obtain proof of compliance in the form of a certification document issued by the county's land use regulator. The certification can be in the form of a certificate or simply a letter of verification with a seal of the appropriate county agency. We would be happy to work with the State and licensed transient accommodation brokers in setting up this verification process.

We supported the original version of Senate Bill No. 704 and the SD 2 that crossed over to the House. We did so because the Bill would have established an online vacation rental working group to develop effective data collection methods to assist State and county governments in monitoring the impact that short-term vacation rentals have on tax collections, housing stock and the State's brand as a vacation destination. But we cannot fully support Senate Bill No. 704, SD 2, HD 1, for the reasons stated above because it is identical to HB 1471, HD 1, which we opposed.

Please amend Senate Bill No. 704, SD 2, HD 1, to include our recommended amendments, or amend the Bill to include language from House Bill No. 1471, HD 3, SD 1, so we can fully support this measure.

Thank you for the opportunity to testify.

Very truly yours,



Kathy Sokugawa  
Acting Director



# 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 704, HD-1

INTRODUCED BY: House Committee on Tourism

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.

SYNOPSIS: 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.

Provides that returns filed on behalf of an operator are confidential tax returns, except that they shall be disclosed to a duly authorized county tax official for the limited purpose of real property tax administration.

All brokers shall (1) prior to advertising on behalf of an operator or plan manager, notify the operator or plan manager that the subject property is required to be in compliance with applicable land use laws prior to retaining the services of the broker; and (2) require the operator or plan manager to attest that the subject property is in compliance with applicable land use laws by using the following language: "By accepting the Terms of Service, I agree and attest that I have reviewed all applicable laws and regulations and that my listing is in compliance."

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.

Makes a conforming amendment to HRS section 237D-4(c).

Amends HRS section 237D-6.5 to allocate an additional \$1 million to each county for compliance and enforcement of the tax.

EFFECTIVE DATE: Takes effect on July 1, 2117, and applies to taxable years beginning after December 31, 2017. Repealed on December 31, 2022.

STAFF COMMENTS: Act 143, SLH 1998, amended HRS section 237-9 to allow multi-level marketing companies to act as agents to collect and pay over GET on behalf of their independent entrepreneurs. At the time, it was considered beneficial for the marketing companies to collect and pay over tax as opposed to having the Department of Taxation chase down a myriad of independent owners with varying degrees of tax compliance among them.

This bill presents an opportunity for the same logic and policy considerations to apply to transient vacation rental (TVR) activity operating through transient accommodation brokers such as AirBnB, Flipkey, Homeaway, and VRBO, except that the stakes may be a little higher because TAT as well as GET is being collected. This bill would appear to be necessary or desirable to enhance the Department's collection ability given the limited resources available for all of state government including the Department.

TVR activity is a business and the dollars earned in that business are subject to Hawaii state taxes. Specifically, General Excise Tax (GET) and Transient Accommodations Tax (TAT) both apply, so those hosts that are in this business need to register appropriately and pay these taxes. But alas, not everyone does. So the bill proposes to allow the broker to register with the Department of Taxation and to remit the GET and TAT to the State on behalf of the hosts. Once registered, any time a host earns money on the broker's platform, the broker will pay the taxes and will pay over the balance to the host. The concept is like withholding, with which those of us who receive a paycheck are quite familiar: we work for an employer, the employer pays us our wages, but the employer deducts some taxes and pays them to the Department of Taxation and IRS.

A similar measure, HB 1850 (2016), passed last year but was vetoed by Governor Ige. The principal objection concerns county-level restrictions on property use. Some TVR activity violates county zoning laws. Some counties, as well as neighboring residents, see withholding as described in this bill as enabling hosts to hide illegal activities from county law enforcement. Some people have gone further. They blame TVR hosts for wrecking the sanctity of neighborhoods with an unending stream of tourists or for yanking housing units off the market in the name of greed, resulting in stratospheric housing prices that are yet another crippling blow to hardworking families struggling to make ends meet. Then, they turn to the brokers and demand that the brokers stop encouraging and facilitating such illegal, anti-societal, and morally depraved activity.

But do we really want a withholding agent to be our brother's keeper? Is it right to ask our employers to call up our banks and credit card companies to see if we are current on our mortgage and paying our bills on time? If we aren't timely or break the law, should we blame our employers for facilitating illegal or immoral activity by paying us our wages (after the tax authorities have, of course, gotten their share) instead of first making sure that those monies are applied to payment of our debts?

At some point, we need to recognize that TVR hosts, like most employees, are adults. They have chosen to go into business, and they are responsible for running their business and all that it entails. They, as the property owners, are answerable to the counties for the use or misuse of those properties. Certainly, the brokers need to be aware of and compliant with laws that pertain to their business if they are going to be doing business here. But it seems a bit much to ask the brokers to be policemen for the counties when the counties, for whatever reason, can't or won't enforce their own zoning laws.

Ultimate responsibility as to both State tax and county zoning laws rests with the owners of the accommodations, not the broker. This bill requires the broker to inform the owner or plan manager about county level compliance, and requires the owner or plan manager to attest to that compliance. In fact, owners may be in varying degrees of compliance with the zoning laws just as they are in varying degrees of compliance with the tax laws. The broker is not in an efficient position to police the former, but effectively can do something about the latter because money from the transient guests flows through the broker's system. That is all this bill tries to address.

Digested 4/1/2017



COMMITTEE ON FINANCE

Rep. Sylvia Luke, Chair; Rep. Ty J.K. Cullen, Vice Chair

Rep. Romy M. Cachola

Rep. Nicole E. Lowen

Rep. Isaac W. Choy

Rep. Nadine K. Nakamura

Rep. Lynn DeCoite

Rep. James Kunane Tokioka

Rep. Cedric Asuega Gates

Rep. Sean Quinlan

Rep. Daniel Holt

Rep. Kyle T. Yamashita

Rep. Jarrett Keohokalole

Rep. Andria P.L. Tupola

Rep. Bertrand Kobayashi

Rep. Gene Ward

Rep. Matthew S. LoPresti

Tuesday, April 4, 2017 2:00 PM

Conference Room 308 State Capitol

**TESTIMONY ON BEHALF OF AIRBNB RE: [SB704 SD2 HD1](#)**

Dear Chair Luke, Vice Chair Cullen, and Members of the Committee:

I write in support of SB704.

The bill before this committee would enable Airbnb and similar platforms to collect and remit Transient Accommodations Tax (TAT) and General Excise Tax (GET) on behalf of our host communities.

Hawaii has a vibrant Airbnb community of responsible hosts and guests. Home sharing is an increasingly popular accommodations option, and the significant benefits it provides to both local businesses and thousands of local residents by generating supplemental income highlight the importance of this emerging economic sector. Airbnb's mission is to democratize travel by allowing anyone to belong anywhere. We make this happen through our people-to-people platform that connects hosts and guests in 191 countries and 50,000 cities around the world.

Currently, Airbnb and similar platforms are neither allowed nor legally obligated to collect and remit these taxes on behalf of their hosts in Hawaii. Airbnb voluntarily stepped forward to support this legislation.

SB704 would enable Airbnb to ensure full tax compliance and maximum tax revenue collection on all bookings conducted through our platform. It would also simplify administration for both the Department of Taxation and our host community and reduce the State of Hawaii's enforcement burden in ensuring tax compliance. Airbnb first began collecting and remitting hotel and tourist taxes from guests on behalf of hosts in San Francisco and Portland in 2014. We are now successfully collecting and remitting taxes in more than 220 jurisdictions across the world,

including San Francisco, Los Angeles, Amsterdam, Chicago, Malibu, Oakland, Washington D.C., Palo Alto, Paris, Philadelphia, San Diego, San Jose, and nearly 20 states, including Washington, Colorado, Oregon, Connecticut, North and South Carolina, Vermont, Florida, and Arizona.

When we were before the Legislature last year, we noted that if we had been allowed to collect taxes on behalf of our host community we would have remitted to the state approximately \$15 million in 2015. If we had been allowed to collect taxes on behalf of our host community in 2016, we would have remitted \$26 million. Combined over the year two period, we would have remitted more than \$40 million to Hawaii. According to testimony submitted previously by HLTA, it estimates that this bill could generate approximately \$100 million per year in new revenue if all platforms participated. We want to pay taxes, we believe that there is value to this to all parties, and we hope you will agree with us and adopt legislation allowing us to do it this year.

Airbnb is also a valuable tool that makes housing *more* affordable for many Hawaii residents. Sixty-five percent of Hawaii hosts have told us that the additional income they get from hosting helps them stay in their homes and 21% said that it helped them to avoid eviction or foreclosure. The average host earned \$9,000 last year, the equivalent of a 12% raise to the median household income in Hawaii. The fastest growing demographic of Hawaii hosts is women over 60. Local businesses and jobs are also supported by Airbnb visitors. Joe Toy, in a study conducted last year, found that Airbnb visitors spent more per day than guests of any other accommodations category in Hawaii, contributing a total of \$353 million to the state economy in 2015.

I would also like to share an additional statistic with the committee that is worth noting. While use of Airbnb in Hawaii is robust, it is also a favorite of Hawaii residents. In 2016 alone, Hawaii residents used Airbnb to travel more than 110,000 times including more than 11,000 inter-island trips within the state. Put simply, Hawaii residents like to use Airbnb, both to host guests and to travel themselves.

Next, during the last session opponents alleged that the legislation would not ensure proper accountability. The Department of Taxation (DOTAX) addressed this issue by stating the following: "Auditing [under the bill] is actually made simpler as there is only one source to request documentation to initiate an audit." Under SB704, Airbnb would register as the single taxpayer, assuming full responsibility with respect to applicable taxes on its platform and using its tax ID number to meet Act 204's posting requirement. The bill would actually give greater transparency and create new enforcement tools for the state it would not otherwise have. For example, it gives DOTAX authority to obtain names and federal tax ID numbers of platform users, as well as the ability to audit the platform and administratively subpoena other user information for enforcement purposes.

Others have alleged this bill would somehow shield users from county land use enforcement, thus interfering with the intent of Act 204. This is patently false. SB704 is a tax bill designed to allow Airbnb to help its community pay its fair share of taxes. The legislative history of Act 204 demonstrates that the purpose of the law was ensuring tax assessment and payment, not DOTAX's enforcement of county land use laws. Tax payment does not impact a user's county land use liability. Moreover, taxpayer information is already confidential under state law.

As we move forward, we are 100% committed to working with local leaders on common sense rules for home sharing. We are confident that we can work together on sensible and modern regulations that reflect the new economy, facilitate compliance, and make local communities stronger.

We remain committed to partner with the state and local governments. We are hopeful that you will adopt SB704 that will allow our hosts to pay their fair share of taxes. At the same time we are committed to working with all interested parties to make home sharing work for local communities and our hosts to the benefit of everyone.

Regards,

A handwritten signature in black ink, appearing to read 'Matt Middlebrook', with a long horizontal flourish extending to the right.

Matt Middlebrook  
Head of Public Policy, Hawaii



OAHU ALTERNATIVE  
LODGING ASSOCIATION  
CITIZENS FOR A SHARED ECONOMY

House of Representatives  
Finance Committee

Tuesday, April 4, 2017, 2:00 p.m.  
Room 308

**SUPPORT: SB704, HD1 RELATING TO TAXES**

Aloha Chair Rep. Luke and members of the committee:

My name is Allison Pettersson, 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 strongly support SB704, HD1. By allowing internet platforms to collect and remit GET and TAT for its users, the state will generate tens of millions of dollars in tax revenue while also ensuring all operators pay their share of taxes owed. Without a comprehensive, easy-to-use program like this, individual operators now face the complicated and daunting task of navigating Hawaii's tax codes for both GET and TAT. This is particularly challenging for the majority of short-term rental owners who only conduct the activity on an occasional basis to make ends meet.

At the same time, we recognize that many in the broader community might not have a strong understanding of the local industry and the important role it plays in our economy and the tourism sector.

**Short-Term Rentals are Vital to Hawaii's Economy**

- While visitor numbers have hit historic highs and airlift remains stronger than ever, it is important to recognize that the additional accommodations needed by these visitors is generated by short-term rentals.
- Increasingly, travelers want to live like locals and are seeking out opportunities to stay and eat in local communities – not necessarily in resorts and traditional accommodations.
- Guests at short-term rentals are more likely to spend at locally owned retail shops and restaurants, unlike other visitors who often dine and shop at resort establishments.
- A report last year from Airbnb, just the third largest travel platform in the islands, indicated their guests generated \$353 million in economic activity in Hawaii. If combined with other platforms, we might expect more than triple that figure in economic impacts from short-term rentals overall.

For these reasons, we hope that the Consumer Protection and Commerce Committee will pass this measure.

The Twenty-Ninth Legislature  
Regular Session of 2017

HOUSE OF REPRESENTATIVES  
Committee on Finance  
Representative Sylvia Luke, Chair  
Representative Ty J.K. Cullen, Vice Chair  
State Capitol, Conference Room 308  
Tuesday, April 4, 2017; 2:00 p.m.

**STATEMENT OF THE ILWU LOCAL 142 ON S.B. 704 SD 2 HD 1  
RELATING TO VACATION RENTALS**

The ILWU Local 142 opposes S.B. 704 SD 2 HD 1, which allows transient accommodations brokers to register as tax collection agents to collect and remit general excise and transient accommodations taxes on behalf of operators and plan managers using their services for vacation rentals. The measure ensures that the subject property is in compliance with applicable land use laws. It further allocates \$1,000,000 of TAT revenues to each county for FY 2017-2018. The bill also sunsets on 12/31/2022.

The current text of S.B. 704 SD 2 HD 1 is the result of deleting the contents of S.B. 704 SD 2 and replacing it with the HD 1 version of H.B. 1471 HD 3 SD 1. This HD 1 version, deals with allowing transient accommodations brokers to register as tax collection agents. The ILWU has testified against H.B. 1471 HD 3 SD 1 because an earlier version of the same bill, more effectively dealt with the concerns of “illegal” short term vacation rentals, and its impact on the inventory of housing units in Hawaii, and how this factor drives the price of housing higher for the residents of Hawaii. Similarly, the ILWU feels the contents of S.B. 704 SD 2 deals more effectively with both the “illegal” units problem as well as the negative impact this has on the housing stock that is available in the State, than the HD 1 version.

The purpose of S.B. 704 SD 2 is “to better understand the issue and impacts of online vacation rentals of residential properties and develop strategies to mitigate any adverse impacts caused by this industry”. The Senate Draft 2 version provides a vehicle for developing effective data collection methods that can assist state and county governments in monitoring the impact that short term vacation rentals have on tax collections and housing stock. The work group established by SD 1 will also develop effective proposals that ensure government-subsidized rental housing and long-term leasehold housing remain in long-term or eligible rental use for a mandatory time period.

The SD 1 version also expands the purpose of the online vacation rental working group to include addressing compliance and enforcement challenges including those relating to real estate licensing laws and the residential landlord-tenant code. The ILWU feels that these



provisions in the SD 2 version of S.B. 704 SD 2 HD 1, conform better with the original purpose of that legislation.

The ILWU Local 142 is opposed to S.B. 704 SD 2 HD 1, however would be supportive of a version closer to its previous draft, S.B. 704 SD 2. Thank you for the opportunity to share our views on this important matter.



*Eric W. Gill, Financial Secretary-Treasurer*

*Gemma G. Weinstein, President*

*Godfrey Maeshiro, Senior Vice-President*

---

Monday, April 3, 2017

House Committee on Finance  
Hawaii State Legislature  
State Capitol  
415 South Beretania Street

Re: SB 704 SD 2, HD 1

Aloha Chair Luke, Vice Chair Cullen and committee members,

UNITE HERE Local 5 – a local labor organization representing 11,000 hotel, health care and food service workers throughout Hawaii would like to register our **strong opposition** to SB 704 SD2, HD 1.

The original contents of this measure would have established a vacation rental working group – necessary for coordinating and tackling the complex issues related to vacation rentals. As you know, the number of homes being used as vacation rentals is expected to grow to an estimated 40,000 in the next two years, with 399 more homes being used as vacation rentals each month.

Rather than keeping SB 704 in its original form, SB 704 was **gutted** and **replaced** with language from HB 1471, HD 1 that would negatively impact the counties ability to enforce against illegal vacation rentals; nullify Act 204 (2015); require no real transparency on the part of platforms and potential brokers; and comprise the State’s efforts in tackling the growing housing crisis.

We would ask that your Committee defer SB 704 SD 2, HD 1 unless its original contents creating the working group be re-inserted. Please note that SB 704 is titled “**relating to vacation rentals.**” Yet, its current contents and corresponding Standing Committee Report 1234 acknowledge that the Committee on Tourism “has amended this measure by deleting its contents and inserting the substantive provisions of House Bill No. 1471, H.D. 1.” HB 1471, HD 1 is titled “**relating to taxation.**”

Any measure passed “**related to vacation rentals**” should at a minimum address the following four points – all of which SB 704 SD2, HD 1 fails to address.

- We must not preempt the counties' ability to enact good regulations and such language should be clearly stated as such in any bill;
- Rental operators must be required to certify to the tax collection broker that they are operating legally and provide documentation to back that up;
- We should ensure that any measure complements – and does not nullify – Act 204 in allowing the state to hold operators accountable; and
- Tax collection brokers must be required to operate transparently by providing lists of names and addresses of operators to the State so the State can verify the money it is collecting reflects reality.

Thank you.

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, April 3, 2017 11:53 AM  
**To:** FINTestimony  
**Cc:** kekoamcclellan@gmail.com  
**Subject:** Submitted testimony for SB704 on Apr 4, 2017 14:00PM

**SB704**

Submitted on: 4/3/2017

Testimony for FIN on Apr 4, 2017 14:00PM in Conference Room 308

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Kekoa McClellan	American Hotel and Lodging Association	Oppose	Yes

Comments: SB704 in its present form is dangerous in that it creates the following potential undesired results: 1. This opens the door to legalizing currently illegal rentals, and effectively pre-empt county laws. 2. This would impede enforcement and allow operators to circumvent existing laws requiring names and addresses. 3. This would allow transient accommodations brokers to opt out of and gut Act 204 which was designed to protect our communities from illegal short term rentals. Our communities are at stake: Last month, CBRE released a report that examined the rise of commercial activity taking place on Airbnb nationwide. The report focused on 13 of the nation's largest Airbnb markets, which includes Oahu. The results confirmed what many in Hawaii already know—most vacation rental units here are owned by part-time residents or commercial operators, not small home-owners renting a room out to supplement their income. In fact, 85% of Oahu Airbnb revenue comes from entire-home rentals. More alarming is the explosion of multi-unit whole-home vacation rentals springing up in neighborhoods across Oahu. Airbnb's revenue from multi-unit home vacations jumped an astonishing 227% in the last year. This proliferation of illegal STRs degrades the quality of life for our residents and exacerbates the problem of inadequate affordable housing supply in Hawaii. We're not opposed to Oahu visitors having alternative lodging options like vacation rentals, but it shouldn't be at the expense of kama'aina communities. We should be concerned that companies want us to turn a blind eye to the fact that many multi-unit hosts are in fact illegal hotel operators. The Hotel industry is one of the most competitive industries in the world, and we welcome anyone willing to play by the rules. Our stake in this fight is about the communities where our 109,000 member employees live in Hawaii. Our members pay \$3.8billion a year in Federal, State, and Local taxes in Hawaii, and are actively engaged in countless activities supporting the needs of Hawaii residents. We are voicing our strong support for parity and common sense solutions which will ensure the protection of our communities because Hawaii is who are, and Hawaii is who care about.

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.

Do not reply to this email. This inbox is not monitored. For assistance please email [webmaster@capitol.hawaii.gov](mailto:webmaster@capitol.hawaii.gov)



The House of Representatives  
The Twenty-Ninth Legislature  
Regular Session of 2017

To: Rep. Sylvia Luke, Chair  
Rep. Ty Cullen, Vice Chair

Date: April 04, 2017

Time: 2:00 p.m.

Place: Conference Room 308  
Hawaii State Capitol

**RE: Senate Bill 704 SD2 HD1, Relating to Vacation Rentals**

Chair Luke and Members of the Committee:

*Rental By Owner Awareness Association (RBOAA) is a Hawaii non-profit corporation founded in 2011, with over 1000 members. Our mission is to provide Hawaii vacation-rental 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 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 enforcement of existing regulations.*

The single biggest issue with this bill is that it does not properly address the issues of tax avoidance and county land use law avoidance. Any operator wishing to avoid tax and county laws will simply list the registration identification number of any transient accommodations broker tax collection agent and wait to see how long it takes before either the DoT or the county catches them. HB1471 has more robust mechanics in this regard.

The other major issue with this bill is that it violates Due Process and tax privacy. The Department cannot, by both federal and state law, share tax information with any entity other than the DoT and the IRS. The counties have no need for the tax information in any case.

RBOAA **OPPOSES** the bill as drafted, and respectfully requests that **two amendments** be made:

Add wording stating:

1. “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 tax collection agent is paid by the State of Hawaii for the tax-collection service.”

Delete the words “**returns and**” from the following clause (237- f(2)):

2. All [**returns and**] the names and addresses provided by a registered transient-accommodations broker tax-collection agent shall be disclosed to a duly authorized County tax official for the limited purpose of real-property tax administration.

Thank you for the opportunity to testify on this measure.

Sincerely,

Neal Halstead  
President,  
Rental by Owner Awareness Association



HOUSE OF REPRESENTATIVES  
THE TWENTY-NINTH LEGISLATURE  
REGULAR SESSION OF 2017

COMMITTEE ON FINANCE  
Representative Sylvia Luke, Chair

4/4/2017

Rm. 308, 2:00 PM

SB 704 SD 2, HD 1

Relating to Vacation Rentals

Chair Luke and Members of this Committee, my name is Max Sword, here on behalf of Outrigger Hotels Hawaii, to testify in opposition to SB 704 SD 2, HD 1.

Outrigger Hotels Hawaii does not oppose some reasonable self-collection of taxes authority for the TVU industry. What we do oppose is the industry combining this authority with measures that would legitimize practices making it easier to skirt the law and harder to identify and address illegal activities costing the state and counties millions in lost revenues.

SB 704 SD 2, HD 1, mimics the language in HB 1471 (House version), which lacks the transparency needed to positively assure that each and every TVU owner is paying its fair share of TAT and other taxes owed to the State of Hawaii for transient accommodations business activity.

Finally, SB 704, SD 2, HD 1 would gut the central requirement of HRS 237D-4, enacted just a few years ago, which requires that Transient Accommodations Brokers (TAB) must receive and post online a current TAT number for any unit listed. Instead, only the TAB number would be required. The obvious result of this change would be the continued listing online of suspected significant numbers of TVUs, which have not obtained TAT numbers and are not paying TATs.

The retention of Act 204, which requires individual TAT numbers to be listed on websites, even if AirBnB is the TAB and the requirement that before AirBnB lists or signs up as a TAB, it needs to get from each owner evidence from the county of zoning compliance would satisfy the transparency

These are requirements that we in the hotel industry live by every day, but AirBnB is fighting against these requirements to be included in any TAB bill. Why is AirBnB so afraid of requiring individual owners to prove that they are complying with our tax and zoning laws.

Thank you for allowing me to testify.





**OUTRIGGER<sup>®</sup>**  
**ENTERPRISES GROUP**  
*Hospitality • Retail • Development*

# Coalition for Equal Taxation

Senate Bill 704 S.D.2, H.D. 1  
 April 4, 2017 at 2:00 p.m.  
 House of Representatives Committee on Finance

Dear Chair Luke, Vice Chair Cullen and Committee Members:

On behalf of the Coalition for Equal Taxation, we **OPPOSE** Senate Bill 704 S.D.2, H.D.1 and respectfully request that you defer this Bill.

**THIS BILL WILL NULLIFY THE PROVISIONS OF ACT 204 FOR AIRBnB HOSTS:**

Hawaii Revised Statute 237D requires that all transient accommodation operators be registered and licensed. Conversely, AirBnB’s proposed tax collection agent is not compatible with already established State of Hawaii taxation or zoning laws.

During the past four years, the State Legislature and Transient Accommodation Operators have worked towards amendments that provide effective and efficient tax collection and county zone compliance. This produced Act 326 and later Act 204.

This current Bill, although it sounds appealing to have a tax agent, **is a dismantling of Act 204 as it relates to hosts who rent through AirBnB**. It shields those hosts from compliance in the following areas:

Current Law Act 204 Compliance	AirBnB Proposed Law
<p>Operators must</p> <ul style="list-style-type: none"> <li>* register with the Dept. of Tax</li> <li>* obtain a GET and TAT tax number</li> <li>* post the TAT in advertising</li> <li>* engage an on-island contact</li> <li>* comply with zoning</li> <li>* comply with landlord tenant laws</li> <li>* file a Transient Accommodation Tax Return based upon Gross Receipts</li> </ul> <p>(non compliance ranges from fines to charges of a misdemeanor)</p>	<p>AirBnB operators</p> <p>Do NOT register with the Dept of Tax                      Do NOT obtain a GET and TAT tax number                      Do NOT place <i>their</i> TAT in advertising</p> <p>AirBnB will post an AirBnB assigned TAT in the advertising (no traceability to the operator)</p> <p>AirBnB will relieve all operators of all obligations of 237D (“agent shall assume all obligations, rights, and Responsibilities imposed by this chapter upon its operators)</p> <p>(no operator is held accountable. AirBnB shields the operator as noted above and AirBnB is shielded by the Federal Communications Act)</p>

**ADVERSE IMPACT UPON ZONING ENFORCEMENT:**

Many residents in CC of Honolulu have felt frustrated with short term rentals being conducted in areas that are not zoned for such activity. Should this Bill pass it will result in exacerbating the increase of rentals being conducted in residential areas as they would be given the shield of using ABnB’s tax number. AirBnB’s hosts (operator) can post for free and they can move on and off the site quickly. (As opposed to VRBO and Homeaway who are subscriptions paid by the owner a year at a time.) CC of Honolulu has very limited legally zoning for transient accommodations. They are found in resort zones, some A-2 zones and the “Non conforming registry” approved by the CC Honolulu which has been frozen since 1989. All else is considered illegal for transient accommodation renting. Also, Kauai and Maui have specific zones as well and a non-conforming registry.

It is not necessary for a platform to be a registered tax collection agent for each county to exercise its right to subpoena records of listings they believe to be renting out of zoning compliance. The county needs only to take the step to issue the subpoena.

## **CONFIDENTIAL AGREEMENT VIOLATES HAWAII'S OPEN RECORDS LAW PURSUANT TO CHAPTER 92**

The provision of a Confidential Agreement or Confidential Registration Application is in violation of Hawaii's transparency in government and government records act. Any contract or agreement should be part of the public record, any financial remuneration to a tax collection agent should be public record.

## **DISCLOSURE OF OPERATOR PRIVATE INFORMATION IS A VIOLATION OF LAW**

Governmental demands for private information contained within an internet platform is protected by federal law (Federal law, Stored Communications Act). All personal information pertaining to operators is subject to *due process*. A subpoena or search warrant is required. Additionally, Section 237 and 237D forbid the disclosure of tax information to anyone outside of the State DoT. Should they make such disclosure, it is a felony. This would preclude the DoT from sharing information with the Counties.

## **TAX COLLECTION AGENT APPROVED BY THE STATE OF HAWAII WILL LEAD THE CONSUMER TO BELIEVE THEY ARE RENTING IN A LEGALLY ZONED AREA - IT WILL CONFUSE THE CONSUMER**

Once AirBnB becomes a designated tax collection agent, it will give the consumer the impression that the unit is legal and approved for renting since it is on a website of a "designed tax collector agent." This will create an appearance of legitimacy for units listed with AirBnB. This is misleading to the consumer.

## **AIRBnB's METHOD OF TAX COLLECTION**

AirBnB does not pay tax on behalf of an individual taxpayer by transmitting to the DoT *that taxpayer's* information. They *aggregate the total of all rental activity*, determine the tax percentage, deduct 5% for themselves and then send one grand total to the DoT under the one tax number assigned to AirBnB.

The DoT will need to amend their interim and annual remittance forms to reflect amounts of tax already paid by a platform. The current forms calculate tax by gross receipts, however, a portion will already have been taxed resulting in the current form being inaccurate for usage.

## **AIRBnB WILL TAKE 5% OF ALL TAX MONEY AS PAYMENT TO THEMSELVES**

In other locations, the Agreement has provided to pay AirBnB 5% of all taxes collected. *That is 5% less the DoT will receive.* The DoT has spent many years and tens of millions of dollars on the Tax Modernization. *This past year they implemented the GET and TAT phase.* The Tax Modernization software provides the DoT the means to detect fraud that was unavailable to them in the past. It is unnecessary to divert 5% of GET and TAT collected to a middleman. That 5% could pay for jobs at the DoT.

## **THE PROPOSED TAX COLLECTOR AGENT INFRINGES ON INDIVIDUAL RIGHTS THAT ARE PROTECTED BY THE HAWAII STATE CONSTITUTION:**

The current Bill does not make provision for an operator to decline to have the tax withheld by the platform tax collection agent which results in a violation of:

### **RIGHT TO PRIVACY**

**Section 6.** The right of *the people to privacy is recognized and shall not be infringed ... The legislature shall take affirmative steps to implement this right.* [Add Const Con 1978 and election Nov 7, 1978] (emphasis added.)

### **SEARCHES, SEIZURES AND INVASION OF PRIVACY**

**Section 7.** *The right of the people to be secure in their persons, houses, papers and effects against unreasonable searches, seizures and invasions of privacy shall not be violated....* [Am Const Con 1968 and election Nov 5, 1968; ren and am Const Con 1978 and election Nov 7, 1978]

To not have a provision for the operator to voluntarily agree to have their taxes paid by AirBnB is tantamount to transient accommodation operators having their business papers seized and their privacy being violated. Additionally, no other licensed entity holding a State issued GET or TAT number is REQUIRED to forgo their right to pay their own tax.

## **LACK OF FINANCIAL STANDARDS**

AirBnB is a privately held company that has existed for only eight years. There are no public filings with the Securities and Exchange Commission as to their financials or business structure. AirBnB does not disclose what they do with the money they are holding on behalf of governments or individuals. They are not required to adopt, maintain or disclose any details as to what they do with other people's money or their own solvency, nor are they subject to banking, escrow or trust regulations. Before Hawaii enters into such an agreement with AirBnB there should be safeguards put in place. At minimum, the State of Hawaii should require segregation of funds, without use by AirBnB, similar to a trust account.

AirBnB's method is they bill the guests in full when the reservation is made. That could be months or even a year prior to the arrival of the guest. AirBnB holds and controls all the collected money during that entire time. Only when the guest arrives on the property, does AirBnB release the money to the operator and pay the taxes.

We respectfully request that you please defer this Bill as there are many provisions that are in conflict with law and all stakeholders would benefit from further discussion of this issues before they become finalized.

John Chang  
Coalition for Equal Taxation

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, April 3, 2017 12:58 PM  
**To:** FINTestimony  
**Cc:** amy\_agbayani@yahoo.com  
**Subject:** \*Submitted testimony for SB704 on Apr 4, 2017 14:00PM\*

**SB704**

Submitted on: 4/3/2017

Testimony for FIN on Apr 4, 2017 14:00PM in Conference Room 308

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
amy agbayani	Filipino-American Advocacy Network (FAN)	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.

Do not reply to this email. This inbox is not monitored. For assistance please email [webmaster@capitol.hawaii.gov](mailto:webmaster@capitol.hawaii.gov)

# Keep It Kailua

## *Preserving Kailua's Character*

*Preserving Kailua's Residential Character and Quality of Life.*

March 3, 2017

To: The Honorable Sylvia Luke, Chair, the Honorable Ty J.K. Cullen, Vice Chair and Members of the House Committee on Finance

Re: **OPPOSE SB704 SD2 HD1 (The Airbnb Bill)**

We adamantly oppose SB704 SD2 HD1 as written and ask your committee to defer the measure. The bill claims to allow transient accommodations brokers to register as tax collection agents to collect and remit general excise and transient accommodations taxes on behalf of operators and plan managers using their services, but it does much more!

- SB704 SD2 HD1 facilitates the growth of illegal transient lodging businesses in residential zoned neighborhoods.
- SB704 SD2 HD1 reduces the housing supply and raises housing cost for local residents.
- SB704 SD2 HD1 changes the residential character of our residential neighborhoods and residential communities into resort districts.
- SB704 SD2 HD1 hides the identity of legal and “illegal” transient lodging businesses (vacation rentals) from the tax department, County zoning officials and the public!
- SB704 SD2 HD1 releases transient accommodations brokers from any liability for any unlawful activities (State & County laws) by the transient lodging businesses.
- SB704 SD2 HD1 facilitates the growth of illegal transient lodging businesses in residential zoned neighborhoods.

Traditionally, the rental housing market and the hospitality industry do not intersect. However, AirBnB and other internet vacation rental brokers have created a platform that allows landlords to pit tourist dollars against renter dollars. Landlords can potentially earn significantly more money by converting traditional rental stock into AirBnB units, as many appear to have done.

Hawaii cannot afford to lose housing units. Recent government reports verify the State of Hawaii is facing a housing shortage of over 55,000 residential homes within ten years. Visitor lodging businesses in residential zoning reduces the local housing supply. The belief that an owner-occupied vacation rentals do not reduce the housing supply is false. Apartments attached to homes, studios, cottages, Ohana units and ADU's are desperately needed housing in our residential community. The vast majority of young singles and young married couples "cannot" afford to purchase or rent an entire house. Vacation rentals of any type or form not only reduce supply of long-term rentals, they also drive up rental rates of long-term rentals.

Visitor lodging businesses in our neighborhoods also changes the "residential character" of our neighborhoods and the entire community by displacing local neighbors from our neighborhoods with a revolving door of strangers. Short-term tenants have little interest in public agencies or in the welfare of the citizenry. They do not participate in local government, coach paddling, or join the hospital guild. They do not lead a scout troop, volunteer at the library, or keep an eye on an elderly neighbor. Literally they are here today and gone tomorrow—without engaging in the sort of activities that weld and strengthen a community.

We do support the efforts by the legislature to ensure all short-term rental listings with a transient accommodation broker are in compliance with applicable County and State land-use laws and not just "attest" or promise they are in compliance. We believe the following language is critical in achieving this objective and must be included in any bill that moves forward;

*All registered transient accommodations broker tax collection agents shall inquire and ensure that the transient accommodation is in compliance with 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 and transient accommodations number, along with other required information in any advertisement, in compliance with section 237D-4;*

*(3) Requiring the operator or plan manager to provide verification of compliance with state and county land use laws in the form of a written certification, verification, or permit issued by the appropriate county agency; and*

*(4) Requiring the operator or plan manager to provide a statement confirming compliance with all applicable land use laws.*

*A transient accommodations broker shall remove any advertisement, including an online advertisement, for a transient accommodation located in the State for which the operator or plan*

*manager fails to comply with paragraph (2) or (3) or for which the transient accommodations broker has received written notice from a state or local governmental authority that the operator or plan manager has failed to comply with applicable land use, zoning, or tax requirements.*

*Nothing in this section shall be construed to preempt or prohibit the authority of a unit of local government in the State, including counties and any other political subdivisions of the State, to adopt, monitor, and enforce local land use regulations, nor to transfer the authority to monitor and enforce such regulations away from the counties.*

And;

*Upon request by the director or mayor of the applicable county, a registered transient accommodations broker tax collection agent must disclose any of the information contained in the returns or cover sheets required by this subsection to the director or any county official designated by the mayor to receive such information. For the purposes of section 237D-13, the director and county official designated to receive the information pursuant to this subsection shall be deemed to be persons with a material interest in the return and return information and may examine the returns and cover sheets to ensure compliance with this section, state and local tax laws and ordinances, and any applicable land use laws and ordinances.*

And;

*The operator or plan manager of a subject property will be fined \$1000 per day if their advertisement is listed by a transient tax broker and they are not in compliance with all pertinent state and county land-use laws as required in section.*

Thank you for your consideration.

Don Bremner - spokesperson

### **Keep it Kailua**

*Keep It Kailua is a grassroots community group founded in 2004 whose purpose is to retain Kailua's family-oriented residential character and quality of life.*

*Keep It Kailua's goals are to:*

- Protect residential zoning and promote permanent residency in our neighborhoods*
- Preserve and enhance scenic, civic, recreational and cultural features that define Kailua's sense of place*
- Protect water resources essential to the health of the environment*
- Preserve trees and maintain open green space*
- Promote walking and the use of non-motorized bicycles as alternatives to automobile transportation within and around the town*



- *Promote businesses that serve the residential community*
- *Support other community groups with similar goals*

Please visit us at [www.keepitkailua.com](http://www.keepitkailua.com)



April 4, 2017

TO: House Committee on Finance  
The Honorable Sylvia Luke, Chair  
The Honorable Ty J.K. Cullen, Vice Chair

FROM: Bob Dzielak, Executive Vice President and General Counsel, Expedia, Inc.  
RE: SB 704, SD2, HD1 Relating to Vacation Rentals: OPPOSE

Dear Chair Luke, Vice Chair Cullen and Members:

While Expedia recognizes the Legislature's desire to find a reasonable way to collect taxes that are due to the State and to ensure that owners and operators of vacation rentals comply with county zoning and permitting requirements, we, unfortunately, cannot support SB704 SD2 HD1 as it will do more harm than good to the State and its economy.

We believe it is important to make a careful study of the transient vacation rental industry and its impact on the state's economy to ensure a comprehensive solution is developed.

The preliminary results of an economic assessment we commissioned<sup>1</sup> found that the vacation rental industry in Hawaii contributes significantly to our State's economy.

- ❖ Last year, over **608,000 visitors** spent an average of eight (8) days staying in vacation rentals.
- ❖ These visitors spent over **\$444 million** on lodging and over **\$475 million** on other expenses such as food, entertainment and souvenirs for total expenditures of nearly **\$920 million**.
- ❖ The number of visitors using a vacation rental is **expected** to continue to grow at a significant pace, as that is the trend seen in Hawai'i and elsewhere over the past ten years.
- ❖ A large number of **visitors** who prefer to stay in vacation rentals **will not stay** in traditional resort accommodations for their vacations. **They want to rent a home** that has multiple bedrooms, a kitchen, a swimming pool and a yard for their kids to play in. For that growing segment of the tourist population, a hotel is simply not a suitable substitute for a vacation rental.

---

<sup>1</sup> Completed by Hospitality Advisors LLC, Joseph M. Toy, President and CEO, Honolulu, Hawaii

- ❖ The data we derived that was most disconcerting was the fact that even if the number of vacation rental visitors switched to traditional resort lodging, there would **not be enough hotel rooms** to accommodate them.
- ❖ We found that if all traditional options were at an annual 85% capacity (which is widely viewed as the maximum sustainable capacity for a hotel), there would be demand for more than **2.5 million quest nights left unmet**.
- ❖ Given the average length of stay of each vacation rental user is about eight (8) days, the result is that nearly **320,000 visitors would have no place to stay**.
- ❖ While that might mean less crowded beaches, it would also mean **over \$430 million NOT spent in Hawaii on lodging and other local goods and services, causing a loss of over \$37 million in TAT and GET**. It is undeniable that those types of economic losses would also result in lost jobs and potential loss of airlift into Hawai'i.

The transient vacation rental industry plays a vital role in our state economy. We would like to work with your state and local governments to modernize the regulations of this important economic sector in a way that protects neighborhoods and the state's economy. This legislation does not meet those goals.

Mahalo for the opportunity to present this testimony.

## **Support SB704 SD2**

**First, I would like to ask a question.**

**When President Obama visits Hawaii, why doesn't he stay in a nice hotel in Waikiki?**

**I have been to the home where he stays.**

**It is a nice house on the beach.**

**Why does he only stay for two weeks and not for a full month?**

**Since the private residence where he and his family stays is not a registered as a B&B or a vacation rental, how is he permitted to do it?**

**I travel all over the world. I always stayed in a hotel but once I was exposed to AirBNB I never stay in a Hotel again.**

**Recently I went to New York City to attend the giant Toy Fair. Will I pay over \$300 to stay in a hotel that is far from the venue? Not a chance. I am not necessarily a budget traveler, but I am a smart traveler. If I can stay in walking distance of the Convention Center, avoid the long freezing cab lines (actually a taxi has become a dinosaur now that there is a choice) and UBER is always better.**

**See what happens when things never change? More and more people are coming back to visit our island two, three, four or more times. Staying in Waikiki is fun the first time but the noise all night, the street fights, the horns honking, the sirens, expensive parking and of course the tall pretty girls that seem like they have no friends gets old after a little while.**

**Visitors have changed and if we don't change and become more accommodating, there are lots of other beautiful and fun destinations they can choose from.**

**The solution is simple:**

- 1. Stop taking so much money from the hotel lobby.**
- 2. Make it easy for hosts to register so they can do what President Obama does.**

**3. Allow platforms like AirBNB to collect GET and TAT on behalf of short-term operators.**

**When I stay at Air BNB's all over the world, the payment system is so automated. There are some locations when an extra line is inserted with the price. That money is going directly into the budget of whatever government agency is collecting it.**

**Our Governor had the opportunity last year to accept millions of dollars that was offered to be collected by AirBNB to help support the cost to run this state. These are funds that are badly needed.**

**In today's world, anything can become a dinosaur quickly. If we don't evolve, the millions of visitors who come to Hawaii will go elsewhere where they are welcome.**

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, April 3, 2017 10:13 AM  
**To:** FINTestimony  
**Cc:** cherimichel99@gmail.com  
**Subject:** \*Submitted testimony for SB704 on Apr 4, 2017 14:00PM\*

**SB704**

Submitted on: 4/3/2017

Testimony for FIN on Apr 4, 2017 14:00PM in Conference Room 308

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Cheri Michel	Individual	Support	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.

Do not reply to this email. This inbox is not monitored. For assistance please email [webmaster@capitol.hawaii.gov](mailto:webmaster@capitol.hawaii.gov)

To Committee: Finance

SUPPORT for SB704 SD2 HD1

April 4, 2017 at 2:00 pm

Testimony of Kathleen Dinman  
(808)780-6325

To Chairperson:

My name is Kathleen Dinman. Thank you for the opportunity to testify in support of SB704. Please consider allowing short term rental accommodations.

I have been a widow for over 6 years and have two children. The only way I can pay for college tuition at UH and keep paying for repairs and maintenance on my home in Kailua is to share my home with visitors for additional income.

I contribute to the community by using the services of pool cleaner, house cleaner, and airport shuttle. I encourage my guests to dine at nearby restaurants and shop for locally grown produce.

I live on the same property and make sure the visitors do not bother my neighbors, I provide a parking stall on my property, and I supervise the noise level.

Most of these visitors said they would not travel to Hawaii if they had to stay in a hotel in Waikiki. Either they have experienced that part of Hawaii on a previous trip or they prefer to be outside a major city.

How can you legalize marijuana and not legalize short term rentals? I support the idea of taxing the income on short term rentals and using part of that to help homeless families. Thank you for consideration short term rentals.

Aloha,  
Kathleen Dinman  
(808)780-6325

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, April 3, 2017 8:02 AM  
**To:** FINTestimony  
**Cc:** michael@mcengineer.com  
**Subject:** Submitted testimony for SB704 on Apr 4, 2017 14:00PM

**SB704**

Submitted on: 4/3/2017

Testimony for FIN on Apr 4, 2017 14:00PM in Conference Room 308

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

Comments: Dear Representatives, I'm writing to you requesting that you do not support SB 704 "airbnb bill". My family has hired a lawyer to evict renters of our property that are running a motel in our rental house via airbnb. Airbnb does nothing for our neighborhoods except turn them into a tourist zone. The consequence of that is that our communities are fragmenting and the closeness that you feel as a neighbor in a neighborhood is disappearing. You know there is more to life than making money. Keeping a community together is an example. Please call with any questions. Thank you, Michael, Jerrold, and Kandis McNulty 67-335 Kaiea Place Waialua, HI 96791 (808) 637-2460

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.

Do not reply to this email. This inbox is not monitored. For assistance please email [webmaster@capitol.hawaii.gov](mailto:webmaster@capitol.hawaii.gov)



**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, April 3, 2017 7:47 AM  
**To:** FINTestimony  
**Cc:** millera012@hawaii.rr.com  
**Subject:** Submitted testimony for SB704 on Apr 4, 2017 14:00PM

**SB704**

Submitted on: 4/3/2017

Testimony for FIN on Apr 4, 2017 14:00PM in Conference Room 308

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Antya Miller	Individual	Oppose	No

Comments: This bill does nothing to address the illegal vacation rental problem. Illegal transient vacation rentals are eroding our land use laws as well as destroying the social fabric of our communities. They are also contributing to the lack of long-term rentals, which in turn, contributes to homelessness. Please vote no" on this bill.

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.

Do not reply to this email. This inbox is not monitored. For assistance please email [webmaster@capitol.hawaii.gov](mailto:webmaster@capitol.hawaii.gov)

COMMITTEE ON FINANCE  
Rep. Sylvia Luke, Chair  
Rep. Ty J.K. Cullen, Vice Chair

**Testimony in Opposition to SB 704 Relating to Taxation Transient Accommodations**

Aloha Chair Luke and Committee Members:

The original language in SB704 was intended to put together a working group to study and come up with recommendations for the issues surrounding illegal TVUs and the taxation of TVUs in Hawaii. Unfortunately none of that language remains and the current version SB704, SD2, HD1 focuses only on taxation. The only compliance language included is that all participants with an internet hosting platform must sign a document stating that they are in compliance with all county land use laws. This is useless – if people are willing to flout county law already and run illegal operations, they will not hesitate in signing a document stating they are legal when they are not.

There is absolutely no protection for communities against the continuing illegal proliferation of transient accommodations in our neighborhoods and ensuring a level playing field with hotels and those operators who comply with the laws of the City and County of Honolulu regarding transient accommodations. Currently there are about 900 legal operators on Oahu; this law does nothing to ensure their rights are protected.

A quick example of how out of hand this can get – a friend of mine rented the house his son had been living in to a couple from the Mainland (we live on the North Shore) and suddenly they noticed that there were a lot of cars, a lot of different cars every week. They figured out pretty quickly that this couple were on Airbnb and were illegally renting a room. My friend is now in the process of evicting the couple, who, I understand, are getting legal advice from Airbnb.

In addition, the money expected to come in plays heavily to the visitor industry and less for the residents of the State. Yes, lets protect and improve our beaches and other facilities but let it be for the community first; visitors second.

Mahalo for your time and consideration of this important issue.

Kathleen M. Pahinui  
67-237 Kauai St  
Waialua, HI 96791  
(808) 637-8545

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, April 3, 2017 12:43 PM  
**To:** FINTestimony  
**Cc:** sandysimonian@me.com  
**Subject:** Submitted testimony for SB704 on Apr 4, 2017 14:00PM

**SB704**

Submitted on: 4/3/2017

Testimony for FIN on Apr 4, 2017 14:00PM in Conference Room 308

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Sandy Simonian	Individual	Support	No

Comments: I support!

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.

Do not reply to this email. This inbox is not monitored. For assistance please email [webmaster@capitol.hawaii.gov](mailto:webmaster@capitol.hawaii.gov)

Rebecca Atkinson  
808-225-2377  
[hawaiibecca@gmail.com](mailto:hawaiibecca@gmail.com)

COMMITTEE ON FINANCE  
Hearing Date: Tuesday 4/4 at 2:00pm

## **SUPPORT**

### **SB704 SD2 HD1**

Please allow these platforms to collect tax for the state. It is a win-win-win for everyone. The state needs the tax revenue. Travelers want alternative housing. Hotels already get full. Alternative housing is for a different kind of traveler. There's enough business to go around for all types of lodging. Hawaii already has so many visitors. These travelers want a different experience and they will have more funds to spend elsewhere besides where they sleep.

Scott Atkinson  
[srahawaii@gmail.com](mailto:srahawaii@gmail.com)  
808-224-2679

---

## COMMITTEE ON FINANCE

Hearing Date: Tuesday 4/4 at 2:00pm

### **I fully SUPPORT**

#### **SB704 SD2 HD1**

These platforms should be permitted to collect tax for the state.

The state needs the tax revenue.

Travelers want alternative housing. Hotels already get full.

Alternative housing is for a different kind of traveler. There's enough business to go around for all types of lodging.

Hawaii already has so many visitors. These travelers want a different experience and they will have more funds to spend elsewhere besides where they sleep.

If Amazon can collect tax for the state of Hawaii then the alternative lodging sites should also be able to do so. There are hotel companies, real estate companies and individual homeowners that have the right to use the Internet platforms provided.

The State of Hawaii should definitely allow them to register as a business in Hawaii to be able to collect tax to be paid directly to the state. It's a good idea. The state needs the money. The businesses here and the business (purchases, cleaning, maintenance, yard) it creates is good for Hawaii.

From: Caryl Burns <cburns@sonic.net>  
Sent: Monday, April 3, 2017 1:40 PM  
To: FINTestimony  
Subject: SUPPORT for SB704 SD2 HD1

4/3/17

To:  
Rep. Sylvia Luke, Chair  
Rep. Ty JK Cullen, Vice Chair

Committee on Finance

From: Caryl Burns  
Airbnb Host in Hawaii  
808-938-8165

Hearing Day and Date:  
Tuesday, 4/4/17 2:00 pm

[SB704 SD2 HD1](#)

I SUPPORT [SB704 SD2 HD1](#) Relating to Vacation Rentals:  
RELATING TO VACATION RENTALS.

Allows transient accommodations brokers to register as tax collection agents to collect and remit general excise and transient accommodations taxes on behalf of operators and plan managers using their services for vacation rentals. Ensures that the subject property is in compliance with applicable land use laws. Allocates \$1,000,000 of TAT revenues to each county for FY 2017-2018. Sunsets on 12/31/2022.

I am an Airbnb Host in Hawaii who urges you to SUPPORT [SB704 SD2 HD1](#) Relating to Vacation Rentals.

**More tax revenue would come to Hawaii** if Airbnb and other operators of vacation rental websites were allowed to collect and remit the GET and TAT taxes. As you know, there are many hosts who do not currently remit these taxes. They may or may not collect the taxes, but they do not all remit these taxes.

**TAX Collection and payment by Airbnb and other vacation rental websites would make it much easier for me and for other hosts.**

I currently collect and pay ALL required GET and TAT taxes on my vacation rentals.  
I am in compliance with all land usage regulations.

I am a semi-retired Public Health professional with a small pension and social security. Sharing my home with visitors to the island allows me to **supplement my income and stay in my home**. It also allows me to **meet interesting people** from other counties in Asia and Europe, as well as visitors from the mainland.

Non-competition with hotels: Visitors who stay with me would not come to the island if they had to pay \$150-\$700 per night to stay in a resort hotel. Hawaii would simply lose the tax revenue and good will from these visitors.

I am an **ambassador for Hawaii**, guiding my guests to maximum their experience of the island, referring them to local companies that provide experiences, food, restaurants, luaus, etc. They return home with fantastic memories of their time on the island and encourage their friends and family to visit Hawaii.

In summary, passage of [SB704 SD2 HD1](#) Relating to Vacation Rentals would:

- 1) **Raise tax revenues** for Hawaii
- 2) Make it easier for vacation rental hosts to collect and remit taxes
- 3) Bring more visitors to the islands, increasing local jobs and revenues

I urge you to **SUPPORT** [SB704 SD2 HD1](#) **Relating to Vacation Rentals!**

Mahalo nui loa,  
Caryl Burns

808-938-8165 cell  
[cburns@sonic.net](mailto:cburns@sonic.net)

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, April 3, 2017 3:10 PM  
**To:** FINTestimony  
**Cc:** GRAND@hawaii.rr.com  
**Subject:** Submitted testimony for SB704 on Apr 4, 2017 14:00PM

**SB704**

Submitted on: 4/3/2017

Testimony for FIN on Apr 4, 2017 14:00PM in Conference Room 308

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
G Rand	Individual	Support	No

Comments: Dear Representatives, As Someone who's grown up here in Hawaii and as someone who has been following all the concerted efforts put into this bill in these last several years, I support this bill and your efforts in moving us closer to a resolution. Thank you for your consideration

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.

Do not reply to this email. This inbox is not monitored. For assistance please email [webmaster@capitol.hawaii.gov](mailto:webmaster@capitol.hawaii.gov)



**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, April 3, 2017 2:38 PM  
**To:** FINTestimony  
**Cc:** melekuhlaonmaui@gmail.com  
**Subject:** Submitted testimony for SB704 on Apr 4, 2017 14:00PM

**SB704**

Submitted on: 4/3/2017

Testimony for FIN on Apr 4, 2017 14:00PM in Conference Room 308

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Mele	Individual	Support	Yes

Comments: Aloha, Chairs Please support airbnb and allow them to collect taxes. it is illegal for them to collect taxes and now with 704 they can so please support this bill Mahalo

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.

Do not reply to this email. This inbox is not monitored. For assistance please email webmaster@capitol.hawaii.gov

**LATE**



## *Nursing Advocates & Mentors, Inc.*

*... a non-profit organization with a mission to address the global nursing shortage by providing guidance and assistance for nursing colleagues to obtain their professional license in nursing.*

*P.O. Box 2034 Aiea, HI 96701*

*E-mail: [namihonolulu@yahoo.com](mailto:namihonolulu@yahoo.com)*

*Bea Ramos-Razon, RN,  
FACDONA  
President*

*Tessie Oculito, RN  
Vice President*

*D Jun Obaldo, RN, BSN  
Corresponding Secretary*

*Au Curameng, RN, CM  
Recording Secretary*

*Margie A. Berueda, RN, CM  
Treasurer*

*Lynn Barnes, RN, CM  
Assistant Treasurer*

*Bong Curameng, CCHT  
Auditor*

*Michael G. Berueda, LPL  
Computer Support*

*Joe Magno  
Technical Support*

*Mentors & Volunteers:*

*Christiaan De Vera, RN, BSN*

*Erlinda Ferrer, RN, BSN*

*Estrella Guevarra, RN*

*Delmar Magno, RN, C*

*Edel Matias, RN, CM*

*Brenda Monegas, RN*

*Gail Pantaleon, RN*

*Oscar Querido, RN*

*Violeta Sadural, RN, BSN*

*Tina Salvador, RN, BSN, CNN*

*Linnette Takenaka, RN, DON*

Testimony in Strong Opposition to SB704 SD2 HD1

House Committee on Finance

Hawai'i State Capitol, Conference Room 308

April 4, 2017, 2 p.m.

To: Chair Sylvia Luke & Vice Chair Ty J.K. Cullen  
Members of House Finance Committee

From: Beatrice Ramos Razon, President, Nursing Advocates and Mentors, Inc.  
Subject: RELATING TO VACATION RENTALS

I strongly oppose this bill. My name is Beatrice Ramos-Razon. I am testifying as the founder and president of NAMI (Nursing Advocates & Mentors, Inc.). NAMI's membership is comprised of over 75 volunteer nurses, instructors, allied health care professionals, and Filipino leaders, who are dedicated to improve the health of Hawai'i's people through education, mentoring, advocacy and service.

I am a registered voter and constituent in District 32, Salt Lake. I work in Senate District 9 as a Kapi'olani Community College nursing faculty. As nurses, we deal with people's declining health, which is rooted in income inequality and lack of affordable housing. While we support individual home owners to supplement their income through vacation rentals, we urge you to consider the negative social and economic impact of large scale airbnb's on Hawai'i's residents, who lack affordable housing. We are outraged that this bill was gutted and replaced with "substantive provisions of House Bill 1471", which we opposed, unless the following amendments were made:

- 1) We must not preempt the counties' ability to enact good regulations;
- 2) Rental operators should be required to certify to the tax collection broker that they are operating legally and provide documentation to back that up;
- 3) We should ensure that any measure complements – and does not nullify – Act 204 in allowing the state to hold operators accountable;
- 4) Tax collection brokers should be required to operate transparently by providing lists of names and addresses of operators to the State so the State can verify the money it is collecting reflects reality.

Thank you for the opportunity to express our opposition to this bill. We look to your leadership to find an equitable balance by protecting the interests of those who have less than enough, and establishing transparent and accountable tax collection regulations for vacation rentals.

Sincerely,  
Beatrice Ramos Razon, RN, FACDA, President, Nursing Advocates and Mentors, Inc.

# Filipino American Citizens League

Jake Manegdeg, President  
P. O. Box 270126 \* Honolulu, Hawai'i 96827

Testimony in Strong Opposition to SB704 SD2 HD1  
House Committee on Finance  
Hawai'i State Capitol, Conference Room 308  
April 4, 2017, 2 p.m.

**LATE**

To: Chair Sylvia Luke & Vice Chair Ty J.K. Cullen  
Members of House Finance Committee  
From: Jake Manegdeg, President, Filipino American Citizens League  
Subject: RELATING TO VACATION RENTALS

I strongly oppose this bill. My name is Jake Manegdeg. I am the president of the Filipino American Citizens League. The Filipino American Citizens League was formed over twenty years ago to contribute to the advancement of civil rights and social justice for minority groups, underserved populations, and vulnerable communities through education, advocacy, and social action.

I strongly oppose this bill because there is no protection in sight for Hawai'i's low income renters and work force across the generations amidst Hawai'i's declining affordable housing and growing homeless crisis. This bill should not move forward until it includes the following amendments:

- 1) We must not preempt the counties' ability to enact good regulations;
- 2) Rental operators should be required to certify to the tax collection broker that they are operating legally and provide documentation to back that up;
- 3) We should ensure that any measure complements – and does not nullify – Act 204 in allowing the state to hold operators accountable;
- 4) Tax collection brokers should be required to operate transparently by providing lists of names and addresses of operators to the State so the State can verify the money it is collecting reflects reality.

We must take care of Hawai'i's people with affordable housing and means to supplement their income, while at the same time ensure that accountable and transparent measures are in place and implemented to regulate legal vacation rentals and collect our State's due taxes.

Very Sincerely,

Jake Manegdeg  
President  
Filipino American Citizens League



**LATE**

Testimony in Strong Opposition to SB704 SD2 HD1  
House Committee on Finance  
Hawai'i State Capitol, Conference Room 308  
April 4, 2017, 2 p.m.

To: Chair Sylvia Luke & Vice Chair Ty J.K. Cullen  
Members of House Finance Committee  
From: Charlene Cuaresma, Chair, National Federation of Filipino American Associations Region 12  
Subject: RELATING TO VACATION RENTALS

I strongly oppose this bill. My name is Charlene Cuaresma, Chair, NaFFAA Region 12, which represents the interests of Filipinos in Hawai'i, Guam, and the Commonwealth of Northern Marianas Islands. We are an affiliate of the National NaFFAA. Washington policy-makers, private industry and national advocacy groups recognize NaFFAA as the Voice of Filipinos and Filipino Americans throughout the United States. We are a non-partisan, non-profit national affiliation of more than five hundred Filipino-American institutions and umbrella organizations that span twelve regions throughout the continental United States and U.S. Pacific territories.

We oppose this bill because it is unjust that Hawai'i renters are marginalized in the housing market with a gaping lack of affordable rental units juxtaposed against a landscape of 33,000 Air B&Bs for visitors. This bill should be deferred unless it includes the following amendments:

- 1) We must not preempt the counties' ability to enact good regulations;
- 2) Rental operators should be required to certify to the tax collection broker that they are operating legally and provide documentation to back that up;
- 3) We should ensure that any measure complements – and does not nullify – Act 204 in allowing the state to hold operators accountable;
- 4) Tax collection brokers should be required to operate transparently by providing lists of names and addresses of operators to the State so the State can verify the money it is collecting reflects reality.

Thank you for the opportunity to express my opposition to this bill. I respectfully urge you to be vigilant, socially responsible, transparent and accountable in generating tax revenue for the benefit of all. Please also protect Hawai'i's people from the negative impact of vacation rentals on Hawai'i's affordable housing crisis and the realities of income inequality in our labor force.

Sincerely,

Charlene Cuaresma, Chair, NaFFAA Region 12



**HAWAII LODGING & TOURISM**  
ASSOCIATION

**LATE**

Testimony of

Mufi Hannemann  
President & CEO  
Hawai'i Lodging & Tourism Association

House Committee on Finance

Senate Bill 704 SD2 HD1 – Relating to Vacation Rentals

Chair Luke, Vice Chair Cullen and members of the committee, on behalf of the nearly 700 members of the Hawai'i Lodging & Tourism Association we support the intent of SB 704 SD2 HD1, which addresses the issue of collection and remittance of GET and TAT from the short term online rental market.

One of the major priorities of the Hawai'i Lodging & Tourism Association this legislative session is to create a level playing field between the short term online rental market and traditional visitor industry accommodations . As we head towards the tail end of this legislative session we would like to note that our industry's priority bill is HB 1471 HD3 SD1 which asks for registration, transparency, accountability, enforcement, and penalties.

However, we do not object to the intent of SB704 SD2 HD1 which has gone from addressing a working group to include language that mirrors HB1471 HD1. One of the visitor industry's overarching objectives is for the state to start collecting the estimated \$100 million in taxes now being avoided, but with ample transparency as to where the taxes are coming from. We would like to propose that further discussion be considered in creating more transparency, openness and accountability within the bill.

We would like to point out that we appreciate and support some amendments that are offered in this bill, as it proposes the furnishing of pertinent information to an authorized county tax official for the purpose of real property tax administration. This will help accelerate the process for the counties to start taxing short term rentals separate from residential properties, an initiative that the county of Kaua'i has implemented at this time. We also support the additional language provided in this bill that would allocate \$4 million from the general TAT coffers to support the counties (\$1 million to each county) in the compliance and enforcement of illegal short term rentals. This would incentivize the counties to be much more proactive in collecting these taxes.

Thank you for the opportunity to testify.

**LATE**

From: mailinglist@capitol.hawaii.gov  
Sent: Tuesday, April 4, 2017 7:17 AM  
To: FINTestimony  
Cc: reservations@thebalicottage.com  
Subject: Submitted testimony for SB704 on Apr 4, 2017 14:00PM

**SB704**

Submitted on: 4/4/2017

Testimony for FIN on Apr 4, 2017 14:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Janet Iliahi Curtis	Individual	Oppose	No

Comments: I pay my own TAT and GE monthly

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.

Do not reply to this email. This inbox is not monitored. For assistance please email [webmaster@capitol.hawaii.gov](mailto:webmaster@capitol.hawaii.gov)

**LATE**



**'ĀINA HAINA COMMUNITY ASSOCIATION**

c/o 'Āina Haina Library, 5246 Kalanianaʻole Highway, Honolulu, HI 96821  
ainahainaassoc@gmail.com; www.ainahaina.org

Jeanne Ohta, President • Melia Lane-Kanahele, Vice-President • Art Mori, Treasurer • Kathy Takemoto, Secretary • Directors At Large: Jeff Carlson, Wayson Chow, Patricia Moore, Marie Riley

---

April 4, 2017

To: Representative Sylvia Luke Chair  
Representative Ty Cullen, Vice Chair and  
Members of the Committee on Finance

From: Jeanne Y. Ohta, President

RE: SB 704 SD2 HD1 Relating to Vacation Rentals  
Hearing: Tuesday, April 4, 2017, 2:00 pm., Room 308

Position: COMMENTS

The Board of Directors of the 'Āina Haina Community Association (AHCA) is opposed to any measure that would legitimize or permit commercial lodging facilities in residentially-zoned neighborhoods and which take units out of the long-term residential housing market. Tax collection measures do not solve problems that our communities are experiencing.

Commercial businesses simply do not belong in residentially-zoned neighborhoods. People expect their neighborhoods to be quiet and safe. Vacationers on the other hand, have no responsibility to be good neighbors; they are on vacation and expect to have a good time. They have no incentive to be quiet and to respect the rights of neighbors. Their vacations are more appropriately spent at a hotel or resort-zoned properties where proper accommodations are available for people on vacation. Honolulu has ample vacation and resort areas which are run by travel professionals specifically for the tourist market.

There are numerous illegally operating transient vacation units (TVU's) in our neighborhoods. These units contribute to our housing shortage and the escalating prices of homes. As prices escalate, owners will be forced into becoming landlords instead of homeowners. TVU's are also detrimental to our neighborhoods because owners are not required to reside on the property.

One ocean front home in our community was rented by a group of 20 people. The neighbors had complained about the home for two years before any action was taken. Since these owners show no respect for our laws, they will ignore regulations as well.

Owners are not required to reside on site, they are not affected by the excessive noise, increased traffic, the number of additional cars parked on the street, or the presence of strangers in a residential community. They are interested in one thing only: maximizing rental income on their property.

Residential use cannot compete with the high rents that owners can charge tourists for vacation rentals.

Any proposed measure must increase the enforcement capacity of the City Department of Planning and Permitting, which has been unable to enforcement current zoning laws and effectively close illegal

rentals currently operating in our neighborhoods. Too much of the burden of identifying illegal businesses has been placed on neighbors.

AHCA respectfully requests that more efforts be made to enforce our current residential zoning laws. Thank you for the opportunity to provide testimony.



**LATE**

From: mailinglist@capitol.hawaii.gov  
Sent: Monday, April 3, 2017 9:58 PM  
To: FINTestimony  
Cc: mcohen1412@gmail.com  
Subject: Submitted testimony for SB704 on Apr 4, 2017 14:00PM

**SB704**

Submitted on: 4/3/2017

Testimony for FIN on Apr 4, 2017 14:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Michal Cohen	Individual	Support	No

Comments: My name is Michal Cohen and I support SB704. I am currently an Air BNB host. I rent out my own bedroom and sleep in my living room so that I can afford the cost of living in Hawaii. Becoming an Air BNB host has allowed me to embark on my life long dream of opening up my own private practice as a psychotherapist and it has allowed me to share my love of Hawaii with others. I have met some beautiful people from all over the world since becoming a host. I strongly support SB704 because it would make it much easier to pay both the GET and TAT taxes. I currently pay an accountant to assist me with these taxes, and it would be much easier to have the rental platform take care of this. It would also greatly benefit the state of Hawaii by ensuring that the state is receiving these taxes. Thank for considering my testimony.

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.

Do not reply to this email. This inbox is not monitored. For assistance please email [webmaster@capitol.hawaii.gov](mailto:webmaster@capitol.hawaii.gov)

**LATE**

Committee on Finance  
Rep. Sylvia Luke, Chair  
Rep. Ty J.K. Cullen, Vice chair

Gina AK LeTourneur  
808-782-4867  
North Shore, Oahu

Re: SB 704. I support this bill and understand that SB 704 has adopted HB 1471's language . Hearing is on 04/04/16 at 2:00 at Room 317.

I am a native of Hawaii and I am in favor of the new language of Bill SB704.

The reasons I am supporting this bill is because of the new language. I have been renting long term for over 15 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 now. I have switched to renting 30 days or more at this time and this has been a good experience. I pay my GE taxes on my own. I want to do the right thing and I support SB 704 with the new language. I want to be legal. I am not trying to make millions, just supplement my mortgage and pay my bills. This is a win-win situation if the bill passes in that the monies can go back to our state and counties.

Thank you for listening to my stand on SUPPORTING HB 704

Gina LeTourneur



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*

**LATE**

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

on

**SB704 HD1 Relating to Vacation Rentals**

House Committee on Finance

Tuesday, April 4, 2017

2:00pm

Conference Room 308

Chair Luke, Vice-Chair Cullen, and Committee Members,

The Hawai'i Tourism Authority (HTA) offers the following **comments on SB704 HD1**, which would permit transient accommodations brokers to register as tax collection agents to collect and remit general excise and transient accommodations taxes on behalf of operators and plan managers that use their services. As part of the system of using transient accommodation brokers as tax collection agents, the bill would require attestation from each transient accommodation operator and plan manager that the use is in compliance with applicable land use laws. Relatedly, the bill would allocate \$1,000,000 of TAT revenues to each county for FY 2017-2018 for enforcement purposes.

As Hawai'i competes in the global tourism market, it is critical that we ensure safe and enjoyable visitor experiences, whether our guests choose to stay in traditional accommodations or the alternative accommodations that are increasingly popular with travelers from around the world. Proponents of alternative accommodations point to the importance of supporting a variety of visitor accommodations to maximize the appeal of Hawai'i as a visitor destination, respect for visitor preferences, the economic benefit to the owners and operators of transient accommodations and the additional tax revenue to the state. Others express concern over the transient accommodation operators who do not pay their fair share of taxes, the loss of rental housing stock to transient uses, respect for land use regulations that may restrict or prohibit transient accommodations in many neighborhoods, the impact on communities that host transient accommodations and the inability to ensure the quality of the experiences for, and the safety of, visitors who stay in transient accommodations. When formulating policy for the state, the Legislature must balance and consider these competing views.

Given the various interests and concerns on both sides of the issue and the need for additional information, we recognize the importance of increased dialogue between the various stakeholders involved.

Mahalo for the opportunity to comment.

**LATE**

From: mailinglist@capitol.hawaii.gov  
Sent: Tuesday, April 4, 2017 10:38 AM  
To: FINTestimony  
Cc: frances1215@gmail.com  
Subject: Submitted testimony for SB704 on Apr 4, 2017 14:00PM

**SB704**

Submitted on: 4/4/2017

Testimony for FIN on Apr 4, 2017 14:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Frances	Individual	Support	No

Comments: I support this bill. Everyone who does short term rentals should be paying their fair share of the this tax, and the state is unable to monitor everyone individually and make sure they pay their taxes, this bill would do just that, and raise much needed revenue for our state.

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.

Do not reply to this email. This inbox is not monitored. For assistance please email [webmaster@capitol.hawaii.gov](mailto:webmaster@capitol.hawaii.gov)