

Honolulu, Hawaii

MAR 23 2018

RE: H.B. No. 2008
H.D. 1
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Twenty-Ninth State Legislature
Regular Session of 2018
State of Hawaii

Sir:

Your Committee on Economic Development, Tourism, and
Technology, to which was referred H.B. No. 2008, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Require each travel agency or tour packager entering into an arrangement to furnish transient accommodations at noncommissioned negotiated contract rates to register with the Director of Taxation;
- (2) Require the travel agency or tour packager to make a one-time payment of \$15 for each registration; and
- (3) Impose the transient accommodations tax on travel agencies and tour packagers on the travel agencies' or tour packagers' share of the proceeds arising from furnishing transient accommodations through arrangements at noncommissionable negotiated contract rates.

Your Committee received testimony in support of this measure from the Department of Taxation and one individual. Your Committee received testimony in opposition to this measure from



the Travel Technology Association; Independent Lodging Industry Association; NetChoice; and Expedia, Inc.

Your Committee finds that under existing law, the application of the transient accommodations tax varies depending on whether a transaction was made at a commissioned or noncommissioned rate. According to testimony submitted by the Department of Taxation, when transient accommodations are furnished through arrangements made by a travel agency or tour packager at noncommissioned negotiated contract rates, the transient accommodations tax is only imposed on the operator on its share of proceeds, and there is no tax imposed on the travel agency's or tour packager's share of proceeds.

Your Committee believes that the transient accommodations tax should be imposed fairly on all parties involved in the transaction, regardless of whether the transient accommodations are furnished through arrangements at commissionable or noncommissionable rates.

Your Committee has amended this measure by:

- (1) As suggested by the Department of Taxation:
 - (A) Clarifying that the registration fee is a one-time fee that applies to each travel agency or tour packager, and that it is not a fee that is assessed per transient accommodation; and
 - (B) Clarifying that the imposition of the transient accommodations tax applies to all operators, regardless of whether there is a direct sale, commissioned sale, or noncommissioned sale, and all travel agencies and tour packagers who arrange transient accommodations at noncommissionable negotiated contract rates;
- (2) Inserting an effective date of January 1, 2050, to encourage further discussion; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.



As affirmed by the record of votes of the members of your Committee on Economic Development, Tourism, and Technology that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2008, H.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2008, H.D. 1, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Economic
Development, Tourism, and
Technology,



GLENN WAKAI, Chair



