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 S.B. No. 2868 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose and intent of this measure is to amend the definition of "gross rental" or "gross rental proceeds", as used in the transient accommodations tax law, to provide that the transient accommodations tax for sales of transient accommodations that are arranged by transient accommodations brokers, travel agencies, and tour packagers shall be paid by transient accommodations brokers, travel agencies, and tour packagers and calculated based on the gross receipts received by those entities.

Your Committee received testimony in opposition to this measure from Expedia. Your Committee received comments on this measure from the Department of Taxation and Tax Foundation of Hawaii.

Your Committee finds that the imposition of the transient accommodations tax on transient accommodations sold through a travel agency or a tour packager can differ depending on if the transaction was made on a commissioned or noncommissioned basis. When transient accommodations are sold through a travel agency or a tour packager at a noncommissioned negotiated contract rate, the tax is only imposed on the operator based on its share of the

proceeds because the actual room rate is not readily distinguishable from any mark up from the travel agent or tour packager. As such, under existing law, there is no transient accommodations tax imposed on the gross rental proceeds of the travel agency or tour packager. Your Committee finds that this is tax revenue that should be owed to the State but is lost due to lack of parity between a commissioned rate and a noncommissioned rate. Your Committee believes that this measure will collect tax revenue that is owed to the State from the share of proceeds generated by transient accommodations that were sold on a noncommissioned basis.

Your Committee has amended this measure, as suggested by the Department of Taxation, by:

(1) Imposing the transient accommodations tax on each transient accommodations broker's, travel agency's, and tour packager's share of the proceeds in noncommissioned transactions only;

(2) Amending this measure to apply to taxable years beginning after December 31, 2018; and

(3) Making a technical, nonsubstantive amendment 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 S.B. No. 2868, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2868, 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

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The Senate
Twenty-Ninth Legislature
State of Hawai'i

Record of Votes
Committee on Economic Development, Tourism, and Technology
ETT

Bill / Resolution No.:*	Committee Referral:	Date:
SB 2868	ETT, WAM	2/12/18

☐ The Committee is reconsidering its previous decision on this measure.

If so, then the previous decision was to: _____

The Recommendation is:

☐ Pass, unamended 2312   ☑ Pass, with amendments 2311   ☐ Hold 2310   ☐ Recommit 2313

Members	Aye	Aye (WR)	Nay	Excused
WAKAI, Glenn (C)	✓			
TANIGUCHI, Brian T. (VC)	✓			
BAKER, Rosalyn H.				✓
GALUTERIA, Brickwood	✓			
THIELEN, Laura H.				✓
TOTAL	3	0	0	2

Recommendation:

☑ Adopted   ☐ Not Adopted

Chair's or Designee's Signature:

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*Only <u>one</u> measure per Record of Votes