DAVID Y. IGE
GOVERNOR

DOUGLAS S. CHIN
LIEUTENANT GOVERNOR

LINDA CHU TAKAYAMA
DIRECTOR

DAMIEN A. ELEFANTE
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION
830 PUNCHBOWL STREET, ROOM 221
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To: The Honorable Sylvia Luke, Chair
and Members of the House Committee on Finance

Date: Friday, February 16, 2018
Time: 4:00 P.M.
Place: Conference Room 308, State Capitol

From: Linda Chu Takayama, Director
Department of Taxation

Re: H.B. 1665, H.D. 1, Relating to Taxation

The Department of Taxation (Department) offers the following comments regarding H.B. 1665, H.D. 1, for the Committee's consideration.

H.B. 1665, H.D. 1, creates a refundable primary residential property owner income tax credit (property tax credit), and amends the allocation of the transient accommodations tax (TAT) revenues to the counties. The measure has a defective effective date of July 1, 2050.

Section 2 of H.B. 1665, H.D. 1, amends section Hawaii Revised Statutes (HRS) chapter 235 by enacting a new section for property tax credit. The property tax credit is equal to an unspecified amount multiplied by the number of the taxpayer's qualified exemptions. The counties are required to share information necessary for the Department to make its determinations. The bill defines "qualified taxpayer" as a resident individual taxpayer who:

- Claims the tax credit on the taxpayer's primary residence in the State and does not permit transient accommodations as defined in section 237D-1;
- Pays real property taxes to a county in the State for the taxpayer's primary residence during the taxable year;
- Is not claimed or is not eligible to be claimed as a dependent by another taxpayer; and
- Has been a resident of the State, as defined in HRS section 235-1, for at least 9 months regardless of whether the qualified resident was physically in the State for 9 months.

Section 3 of H.B. 1665, H.D. 1, amends HRS section 237D-6.5(a)(4) by replacing the $103 million allocated to the counties with unspecified amounts allocated each county to reimburse the counties for the costs expended by the counties for providing certain public services and the property tax credit. The Director of Finance would be required to verify the amounts for reimbursement and to prepare forms for the counties to claim the reimbursement.

First, as a general rule, the Department prefers nonrefundable credits because refundable credits are more prone to improper claims and fraud. The Department suggests making the credit nonrefundable.

Second, the Department notes that the residency requirement in section (f)(4) of the property tax credit may be challenged as unconstitutional. The Committee may want to consider replacing the residency requirement with a requirement that the taxpayer be physically present in in the State for at least 9 months. Another way to address the issue may be to limit the property tax credit to taxpayers who claimed the homeowner's exemption from real property tax.

Third, the Department suggests deleting subsection (b) of the property tax credit. The property tax credit is intended to be claimed by individual taxpayers for their principal residences based on the number of personal exemptions they claim. This means that pass-through entities like partnerships and S-corporations will not be claiming the credit.

Fourth, the Department notes that income tax is a purely general fund tax meaning that net income tax collections (after income tax refunds are paid) are deposited into the general fund. As such any amount paid in the form of the property tax credit would not need to be reimbursed to the counties as they were paid from the State general fund. The Department suggests resolving this in Section 3 of H.D. 1 which specifies that the counties will be reimbursed for the costs expended for the property tax credit.

Finally, the Department respectfully requests that this new property tax credit be made applicable to taxable years beginning after December 31, 2018. The Department is in the process of implementing individual income tax into its new computer system and additional time will allow the Department to properly implement new tax features such as credits.

Thank you for the opportunity to provide comments.

TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
TWENTY-NINTH LEGISLATURE, 2018

ON THE FOLLOWING MEASURE:
H.B.1665, H.D. 1, RELATING TO THE TRANSIENT ACCOMMODATIONS TAX.

BEFORE THE:
HOUSE COMMITTEE ON FINANCE

DATE: Friday, February 16, 2018 **TIME:** 4:00 p.m.

LOCATION: State Capitol, Room 308

TESTIFIER(S): Russell A. Suzuki, Acting Attorney General or
Cynthia M. Johiro, Deputy Attorney General

Chair Luke and Members of the Committee:

The Department of the Attorney General has the following comments on this bill that proposes to retain an unspecified portion of the county allocation of transient accommodations tax revenues to fund an income tax credit for residential property owners in the State.

Subsection (f) of the new section in section 2 of the bill at page 3, line 16, through page 4, line 10, provides for an income tax credit to resident individuals who claim the tax credit on their primary residence in Hawaii and who do not permit transient accommodations as that term is defined in chapter 237D, Hawaii Revised Statutes, and who have been residents of the State, as defined in section 235-1, HRS, for at least nine months of the year.

This bill may be subject to challenge based on the Equal Protection or the Privileges and Immunities Clauses of the United States Constitution because the bill restricts the proposed tax credit to Hawaii residents.

The Equal Protection Clause prohibits discrimination against a non-resident based solely on residency. See, e.g., *Williams v. Vermont*, 472 U.S. 14 (1985) (use tax credit for sales taxes paid on cars purchased in other states invalidated because it was only available to Vermont residents). The Hawaii Supreme Court has recognized that the Equal Protection Clause applies where a tax operates unequally on persons or property of the same class. *In re Swann*, 7 Haw. App. 390, 776 P.2d 395 (1989).

Similarly, under the Privileges and Immunities Clause, a state may not impose higher taxes on a nonresident individual than it imposes on its own citizens.[1]

The residency requirement in this bill arguably violates the Equal Protection and Privileges and Immunities Clauses because it expressly favors homeowners whose primary residence is in the State over homeowners whose primary residence is in another state.

To insulate the bill from possible constitutional challenge, we recommend that the bill be amended as follows: (1) delete the word "resident" on page 3, line 17; and (2) delete the wording in paragraph (4) of subsection (f) on page 4, lines 7 through 10, in its entirety.

Thank you for the opportunity to provide comments.

[1] The Privileges and Immunities Clause does not apply to corporations. *Toomer v. Witsell*, 334 U.S. 385 (1948).

Harry Kim
Mayor

Wil Okabe
Managing Director

Barbara J. Kossow
Deputy Managing Director

County of Hawai'i
Office of the Mayor

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February 15, 2018

Representative Sylvia Luke, Chair
Committee on Finance
Hawai'i State Capitol, Room 308
Honolulu, HI 96813

Dear Chair Luke and Committee Members:

Re: HB 1665, HD 1 Relating to the Transient Accommodations Tax (TAT)
Hearing Date: 02/16/18 – 4:00 pm; House Conference Room 308

HB 1665, started as a part of the Hawai'i Council of Mayors package, and would have restored the counties' allocation of the TAT to 45%. HB 1665, HD 1, on the other hand, would require that the counties request reimbursement for various expenses, and justify each request in order to receive ANY TAT. While it is not clear what expenses would qualify for reimbursement (e.g., what percentage of overhead, salaries, maintenance products used at a park that serves locals and visitors, etc.) nor how much revenue the counties would ultimately receive, it is clear that the process would be a bureaucratic nightmare. Even if the counties wound up getting more TAT money than at present, it would not be worth it. This bill would cripple the partnership that has been created over the years in an imperfect but meaningful attempt to best serve the 1.4 million people of Hawai'i. Therefore, you will not be surprised that we cannot support HB 1665, HD 1, and ask that it be held, or that the original intent of HB 1665 be restored.

My understanding is that the TAT was originally established to assist the counties, but the Legislature has always had the prerogative to determine how it will be apportioned. Given Hawai'i County's limited resources (and seemingly unlimited needs), we are fortunate that the Legislature has never wavered in allowing the counties to share in the TAT, and we thank you for that.

The TAT is a very important source of revenue to the County of Hawai'i (and the other counties), and we rely on it to balance our budget and maintain services for our citizens and visitors. The current allocation has dealt a punishing blow to us, and therefore to our taxpayers. You and I represent and serve the same people. Decimating the budgets of the counties is not beneficial; it simply forces the counties to drastically reduce services or increase other taxes for our shared constituents.

The State of Hawai'i has always received the major portion of the TAT revenues, but I think it is correct to say that when the TAT was first established, it was envisioned as a way to help the counties deal with the effects of tourism, including such costs as police, fire, parks, and other infrastructure impacted by tourists. When the Great Recession hit, the share of TAT for the counties was capped, but that was only supposed to be temporary, until the economy recovered. We are well past the recession now.

Without the share that the counties would have received prior to the cap, we have been forced to raise property taxes, vehicle weight taxes, and fuel taxes, and are now considering adding to the GET, all of which worsen the pressures on our population, much of which is barely managing a paycheck-to-paycheck financial existence. Property tax increases hurt a major portion of our residents, affecting renters and homeowners alike. Property taxes, after all, are not simply absorbed by a landlord or business; they are passed on, in whole or in part, to the tenant or customer. The GET, a regressive tax, is paid by all.

The original HB 1665 would have amended the amount of transient accommodations tax revenues allocated to the counties from a specified sum to a percentage of the revenues collected. If the counties' share of the TAT were restored, Hawai'i County would not need to impose those property tax, vehicle weight tax, fuel tax, or GET increases.

There admittedly is other history that could come in to play, and the TAT might be thought of in two parts. When it was originally established, it was at a rate of 7 ¼%. Later on, when legislators took the politically unpopular step of increasing the TAT to 9 1/4 %, and then 10 ¼%, it was the legislators' necks that were on the line, so perhaps there is less reason why the counties should feel they have a claim on that second part of the TAT, the extra 3%.

Although we believe that the counties' share of the TAT should be restored to 45% of the total TAT, at the very least we should receive 45% of what would be collected if the TAT were still 7 ¼ %. If that position were taken by this Committee, the State then could receive 55% of the moneys collected at 7 ¼%, plus all of the revenue from the second, enhanced, part of the TAT (the extra 3%).

If the Legislature locked in those numbers now, there also would be the added benefit that you would not have to spend so much time dealing with complaining counties, year after year. We all could plan our future budgets with greater certainty.

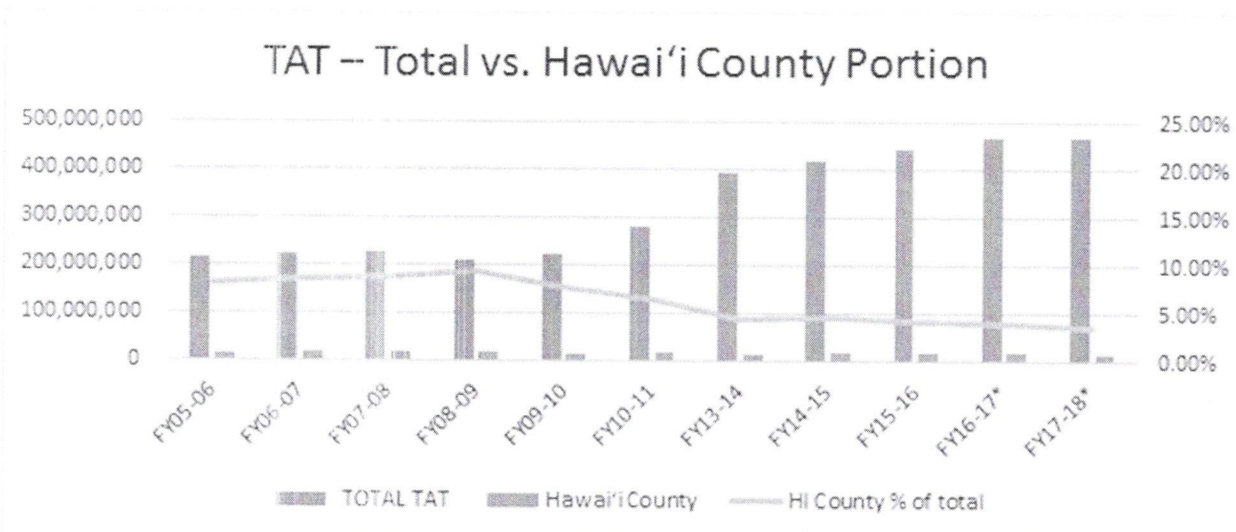
My priority is to seek an increase in the TAT for the counties, and that goal is shared by the Council of Mayors and the Hawai'i State Association of Counties (i.e., the County Councils). Since the State and the counties serve the same constituents, it is important that we continue to work as partners in meeting the needs of our communities. As demand for services is ever increasing (and so is the cost of those services), it is equally important that revenue be appropriately shared so that the demands can be met to the best of our combined abilities.

The chart below reflects how small a portion of the TAT comes to Hawai'i County, and how the percentage has shrunk over the years.

Please help us help our fellow citizens by restoring this vital component of the County budget to its original percentage.

Respectfully submitted,

Harry Kim
Mayor, County of Hawai'i



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KIRK CALDWELL
MAYOR

ROY K. AMEMIYA, JR.
MANAGING DIRECTOR

GEORGETTE T. DEEMER
DEPUTY MANAGING DIRECTOR

CITY AND COUNTY OF HONOLULU
BEFORE THE COMMITTEE ON
FINANCE
FRIDAY, FEBRUARY 16, 2018; 4:00 PM

TO: THE HONORABLE SYLVIA J. LUKE, CHAIR
THE HONORABLE TY J.K. CULLEN, VICE CHAIR
AND MEMBERS OF THE COMMITTEE ON FINANCE

FROM: KIRK CALDWELL, MAYOR
CITY AND COUNTY OF HONOLULU

SUBJECT: OPPOSITION TO HB1665 HD1

The City and County of Honolulu strongly opposes HB1665 HD1, which changes the counties' share of the transient accommodations tax (TAT) revenues to a capped reimbursement at an unspecified amount; limits the counties' authority to use TAT funds except for specified purposes; and requires the counties to apply to the Director of Finance for reimbursement within 90 days after the expenditure of funds and failure to file within 90 days is deemed a waiver of the right to claim the reimbursement.

The TAT was originally implemented to offset costs associated with the visitor industry. Instead, this measure requires that real property owners of each county pay up front for tourism costs, and allows the counties to only be reimbursed with TAT funds for six purposes only. These purposes include providing grants for cesspool conversion county programs affecting natural resources; and allowing the primary residential real property owner tax credit, which is established in this measure.

This measure goes against the TAT's original intent and would require the City to use its TAT funds to cover costs not associated with the visitor industry. This measure does not allow for the counties to use TAT funds for visitor impacts on our infrastructure and services, including roads, parks, emergency services other than ocean safety services, and public safety services. Instead, this measure attempts to force the counties to raise real property taxes to pay for costs created by the tourists.

Instead of restricting the counties' ability to offset its costs associated with tourism and forcing the counties to raise real property taxes, this bill should be reverted to its draft as originally introduced, which allocates 45 percent of the remaining TAT revenues to the counties. This is in line with the findings from the State-County Functions Working Group, which was established by the Legislature.

Thank you for your consideration of this testimony in strong opposition.

Eileen O'Hara
Council Member
Council District 4

Chair: _Environmental Management Committee_

Phone: _(808) 965-2712_
Fax: _(808) 961-8912_
Email: eileen.ohara@hawaiicounty.gov

Vice Chair: _Planning Committee and Agriculture, Water & Energy Sustainability Committee_

County of Hawaii

Hawaii County Council
25 Aupuni Street, Suite 1402 • Hilo, Hawai'i 96720

Representative Richard H.K. Onishi
Chair, House Committee on Tourism
Hawai'i State House of Representatives

February 5, 2018

Re: In Support of House Bill 1665, from Hawai'i County Council District 4
To be heard on 02-06-18 8:30AM in conference room 429

Aloha Chair Onishi and Committee Members:

I'm writing to express my support for House Bill 1665, which amends the amount of transient accommodations tax revenues allocated to the Counties from a specified sum to a percentage of the revenues collected. The distribution of the TAT as specified in this bill will result in a significant increase in the amount of funding Hawai'i County will received to help mitigate the impacts of our tourist industry.

Sincerely,

Eileen O'Hara

Eileen O'Hara
Council Member
Council District 4

SUBJECT: TRANSIENT ACCOMMODATIONS, INCOME, Primary Residential Property Owner Tax Credit; County Revenue Sharing

BILL NUMBER: HB 1665 HD 1

INTRODUCED BY: House Committee on Tourism

EXECUTIVE SUMMARY: Enacts a new tax credit for residential owners who do not use their unit as a transient accommodation. Attempts to tie distribution of TAT funds to this credit among other things. The bill now has some technical defects that need to be remedied.

SYNOPSIS: Adds a new section to HRS chapter 235 to establish a refundable primary residential property owner tax credit. The credit awarded is $_____ multiplied by the number of the taxpayer's qualified exemptions.

Defines a "qualified taxpayer" to whom the tax credit pertains as a resident individual taxpayer who: (1) claims the tax credit on the taxpayer's primary residence in the State and does not permit transient accommodations as defined in section 237D-1; (2) pays real property taxes to a county of the State for the taxpayer's primary residence during the taxable year; (3) is not claimed or is not otherwise eligible to be claimed as a dependent by another taxpayer for federal or Hawaii state individual income tax purposes; and (4) has been a resident of the State, as defined in section 235-1, for at least nine months regardless of whether the qualified resident was physically in the State for nine months.

All claims for the tax credit, including amended claims, shall be filed on or before the end of the twelfth month following the close of the taxable year for which the credit may be claimed. Failure to comply shall constitute a waiver of the right to claim the credit.

Amends HRS section 237D-6.5 to distribute TAT revenues in the following priority order:

- $1.5 million for the Turtle Bay conservation easement special fund;
- $26.5 million for the convention center enterprise special fund;
- $82 million for the tourism special fund;
- *The amount necessary as certified by the director of finance to reimburse the counties for the costs expended by the counties for the provision of public services and qualifying tax credits allowed as detailed below.*
    - *The amounts reimbursed to each county shall not exceed: $ _____ for Kauai county, $ _____ for Hawaii county, $ _____ for the City and County of Honolulu, and $ _____ for Maui county.*

- *To receive the reimbursement, the county shall apply for the reimbursement within ninety days after the expenditure of county funds or allowing the primary residential property owner tax credit under section 235- ; provided that failure to comply with this provision shall constitute a waiver of the right to claim a reimbursement.*

- *Each county may claim reimbursements for the following expenditures of county funds or tax credit for:*
  - *Enforcing county ordinances relating to transient accommodations;*
  - *Establishing, operating, and maintaining public mass transportation;*
  - *Providing grants for cesspool conversion county programs affecting natural resources;*
  - *Establishing, implementing, and updating, in coordination with the Hawaii tourism authority, county visitor industry strategic plans and priorities;*
  - *Providing ocean safety programs, including infrastructure and equipment, such as lifeguard towers, swim buoys, and video cameras, staffing and operating costs, and education and visitor awareness; and*
  - *Allowing the primary residential property owner tax credit described above.*

- $3 million to the special land and development fund.

- Any revenues remaining would go to the State general fund.

EFFECTIVE DATE: This Act shall take effect on July 1, 2050.

STAFF COMMENTS: In law prior to 2009, the TAT was levied at the rate of 7.25% on most transient accommodations. Once collected, the tax, after satisfying specified earmarks, was distributed 44.8% to the counties. Act 61, SLH 2009, increased the TAT rate to 8.25% between 7/1/09 and 6/30/10 and to 9.25% between 7/1/10 to 6/30/15. Act 161, SLH 2013, made permanent the TAT rate of 9.25% and changed the allocations of TAT from a percentage basis to a specific dollar amount.

After the counties complained about their allocations, Act 174, SLH 2014, required a state-county functions working group to be convened to evaluate the division of duties and responsibilities between the State and counties relating to the provision of public services and to recommend an appropriate allocation of the transient accommodations tax revenues between the State and counties that properly reflects the division of duties and responsibilities relating to the provision of public services. The working group met and issued a report to the 2015 legislature, and bills were drafted to adopt that recommendation. The bills did not pass.

Technical concerns with the bill as now drafted include these:

- The bill as it is now drafted provides for a tax credit to a primary residential property owner. Section (b) of the credit section allows for distribution and share of credit when an entity owns the property. Because the credit is allowed only when an individual owns it, that part of the credit section does not make sense. Some rules on distribution and share of credit may make sense when the underlying property has multiple individual owners (which, in the case of property held by tenants in common, might not even have equal ownership shares).

- The credit section makes the credit dependent on “qualified exemptions,” but the term is not defined. A definition or cross-reference would be helpful.
- The bill contemplates reimbursing the counties for monies paid out by way of the tax credit, but the credit is a state income tax credit. The state pays it; the counties don’t.
- The bill requires counties to apply for reimbursement of expenses within 90 days of expenditure of county funds, and denies reimbursement for counties failing to apply. That would require applications to the state director of finance multiple times per year, which the Department of Budget & Finance might not be ready for.

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

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

Digested 2/14/2018

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

February 15, 2018

TO: The Honorable Sylvia Luke, Chair
House Committee on Finance

FROM: Mike White
Council Chair

SUBJECT: **HEARING OF FEBRUARY 16, 2018; OFFERING COMMENTS ON HB 1665, HD 1, RELATING TO THE TRANSIENT ACCOMMODATIONS TAX**

Thank you for the opportunity to offer **comments** on this measure. The purpose of this bill is to amend the amount of transient accommodations tax ("TAT") revenues allocated to the counties from a specified sum to reimbursements to the county for expenditures related to specified county public services and specified tax credits allowed; and provide a primary residential property owner who does not provide transient accommodations with a tax credit.

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

In addition to serving as chair of the Maui County Council, my testimony is also informed by my visitor industry experience as hotel general manager for 33 years, and through my service as a state legislator from 1993 to 1998.

I offer the following **comments** on this measure:

1. I commend the **original intent** of this bill, which was to amend the amount of TAT revenue allocated to the counties from a specified sum to a percentage of the revenues collected. However, the bill in its current form places further restrictions on TAT funds allocated to the counties.

2. From Fiscal Year 2007 to 2017, the State's annual share of TAT revenue has increased by more than $220 million, **without restriction on use of the funds**. This is because of the arbitrary cap placed on the counties' share to help balance the State's budget during the economic downturn. Now that we have a record-number of visitors already paying for the services they use, it is time to return a fair share to the counties, without restriction, to relieve our residents of the burden of paying for our tourists.

3. During the same period, the four counties collectively received a mere $2.2 million increase in TAT, while expenses for just fire, police and park services have increased by more than $260 million. Furthermore, we are faced with collective bargaining increases this fiscal year. The current form of the bill allows for limited reimbursements related to these vital services.

4. The purpose of the TAT was to help the counties fund visitor-related expenses based on a **percentage of earned revenue**, not as a form of charity based on a fixed amount, or limited expenditure reimbursements. The $103 million cap is NOT consistent with the purpose of the tax. The counties' share should increase or decrease, based on a formula proportional to the TAT revenue collected.

5. The bill in its current form requires the counties to upfront costs and apply for reimbursement from the State within ninety days. Along with placing the initial financial burden on the counties, this process may create additional cumbersome work to receive funds that should already rightfully be allocated to the counties in which they were collected.

6. The 45 percent allocation to the counties with the State receiving 55 percent, as proposed in the original bill, is consistent with the comprehensive study by the State-County Functions Working Group created under Act 174 (2014). The report noted that the counties are responsible for 54 percent of net expenditures directly supporting tourism, while the State provides 46 percent. As partners in Hawaii's governance, the measure should provide the counties the ability to plan and invest on visitor program improvements consistently over time with a predictable and stable source of revenue.

7. According to visitor-industry consultant HVS, Hawaii counties receive the lowest amount of taxes generated from hotel room revenues compared to our peers across the nation. Counties in Hawaii on average receive 17 percent of revenues when combining hotel room revenues and excise tax, while on average, peers across the nation receive 67 percent based on the same calculation.

I commend the **original intent** of this bill and urge you to consider amending the amount of TAT revenue allocated to the counties from a specified sum to a percentage of the revenues collected. Thank you for your consideration of my foregoing **comments** on this measure.

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

February 15, 2018

TO: The Honorable Sylvia Luke, Chair
House Committee on Finance

FROM: Riki Hokama
Councilmember

SUBJECT: **HEARING OF FEBRUARY 16, 2018; TESTIMONY IN OPPOSITION TO HB 1665, HD1, RELATING TO THE TRANSIENT ACCOMMODATIONS TAX**

Thank you for the opportunity to testify in **opposition** to this measure. The purpose of this bill is to amend the amount of transient accommodations tax ("TAT") revenues allocated to the counties from a specified sum to reimbursements to the county for expenditures related to specified county public services and specified tax credits allowed; and provide a primary residential property owner who does not provide transient accommodations with a tax credit.

I **oppose** this measure for the following reasons:

1. The original intent of this bill was to amend the TAT revenue allocations to the counties from a set amount to a percentage of the revenues collected. Now, the measure further restricts the counties' allocations by forcing the counties to engage in a reimbursement process to obtain TAT funds.

2. Instead of receiving their TAT revenue allocation annually, this measure forces the counties to cover expenditures with their own funds and apply for reimbursements from the State within 90 days. The TAT's purpose was to assist the counties with the increasing costs of infrastructure and services caused by growing tourist arrivals by granting the counties a percentage of the earned TAT revenues. Through this reimbursement system, the measure defeats this purpose and places the burden of paying for these costs on the counties.

3. The measure also introduces a tax credit for homeowners who do not use their homes for transient accommodations. If the State's intent is to stop more illegal transient accommodation rentals, then it should assist the counties fund such efforts with larger TAT allocations. By listing this credit as a reason for the counties to apply for reimbursements, it looks like the State is only creating the credit to justify the reimbursement process.

4. From Fiscal Year 2007 to 2017, the counties have only seen a total increase of $2.2 million in their TAT allocations. However, the counties' expenses for police, fire, and park services have increased by over $260 million. Conversely, the state's annual share of the TAT has grown by over $220 million. As visitor arrivals continue to rise, the counties need a larger share of the TAT to handle these associated costs.

5.. According to the study by the State-County Functions Working Group created under Act 174(2014), the counties cover 54 percent of net expenditures directly related to tourism, as opposed to the State's 46 percent. As such, the state should be assisting the counties with the growing costs of tourism instead of making it more difficult for the counties to obtain funding.

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

hb1665_hd1_jgk

Hawaiʻi State Association of Counties (HSAC)

Counties of Kauaʻi, Maui, Hawaiʻi and City & County of Honolulu

74-5044 Ane Keohokalole Highway, Bldg A., Kailua-Kona, HI 96740

LATE

February 16, 2018

TESTIMONY OF DRU KANUHA
HSAC PRESIDENT
ON HB 1665 HD1, RELATING TO THE TRANSIENT ACCOMMODATIONS TAX
House Committee on Finance
Friday February 16, 2018
4:00 p.m.
Conference Room 308

Aloha Chair Luke and Members of the Committee:

I thank you for the opportunity to testify on behalf of the Hawaiʻi State Association of Counties in **opposition** of HB 1665 HD1, relating to the transient accommodations tax.

HB 1665 started as a part of the Hawaiʻi Council of Mayors package, and the Hawaiʻi State Association of Counties were in support of the measure. The original version would have restored the counties' allocation of the TAT to 45 percent. However, HB 1665 HD1 would require that the counties request reimbursement for various expenses, and justify each request in order to receive ANY TAT. This bill will cripple the partnership that has been created over the years in an imperfect but meaningful attempt to best serve the people of Hawaiʻi. Given Hawaiʻi's limited resources, and unlimited needs, the TAT was established to assist the counties. The TAT is a very important source of revenue for the counties and we rely on it to balance our budgets and maintain services for our citizens and visitors alike. The current allocation has dealt a punishing blow to us and to our taxpayers, which we both represent, and forces the counties to drastically reduce services and increase other taxes. Without the share that the counties would have received prior to the cap, we are causing extreme hardship to our population, much of which is barely managing a paycheck to paycheck financial existence.

HSAC opposes this measure for the reasons stated above and we urge the House Committee on Finance to oppose this measure and restore HB 1665 to its original format and intended purpose. Should you have any questions, please feel free to contact me at (808) 323-4267.

Mahalo for your consideration.

DRU KANUHA
HSAC PRESIDENT

LATE

IKAIKA ANDERSON
Council Vice Chair
Councilmember, District 3
Email: ianderson@honolulu.gov
Phone: 808-768-5003
Fax: 808-768-1235

February 16, 2018

TO: The Honorable Sylvia Luke, Chair
House Committee on Finance

FROM: Councilmember Ikaika Anderson, Vice Chair
Honolulu City Council

SUBJECT: TESTIMONY IN OPPOSITION OF HB 1665 HD1

HEARING: Monday, February 16, 2018, 4:00 PM
Auditorium, Hawaii State Capitol

I am testifying in **Opposition** of HB 1665 HD1, Relating to the Transient Accommodations Tax.

HB 1665 started as a part of the Hawai`i Council of Mayors package, and the Hawai`i State Association of Counties were in support of the measure. The original version would have restored the counties' allocation of the TAT to 45 percent. However, HB 1665 HD1 would require that the counties' request reimbursement for various expenses, and justify each request in order to receive ANY TAT. This bill will cripple the partnership that has been created over the years in an imperfect but meaningful attempt to best serve the people of Hawai`i.

Given Hawai`i's limited resources, and unlimited needs, the TAT was established to assist the counties. The TAT is a very important source of revenue for the counties and we rely on it to balance our budgets and maintain services for our citizens and visitors alike. The current allocation has dealt a punishing blow to us and to our taxpayers, which we both represent, and forces the counties to drastically reduce services and increase other taxes. Without the share that the counties would have received prior to the cap, we are causing extreme hardship to our population, much of which is barely managing a paycheck to paycheck financial existence.

I **Oppose** the passage of HB 1665 HD1and would like to thank your committee for the opportunity to testify.

LATE

COUNTY COUNCIL

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

February 16, 2018

TO: Honorable Sylvia Luke, Chair
House Committee on Finance

FROM: Stacy Crivello, Secretary
Hawaii State Association of Counties

SUBJECT: **HEARING OF FEBRUARY 16, 2018; TESTIMONY IN OPPOSITION TO HB1665, HD1, RELATING TO THE TRANSIENT ACCOMMODATIONS TAX**

Thank you for the opportunity to testify in **opposition to** this important measure. The purpose of this measure is to amend the amount of transient accommodations tax revenues allocated to the counties from a specified sum to reimbursements to the county for expenditures related to specified county public services and specified tax credits allowed; and provide a primary residential property owner who does not provide transient accommodations with a tax credit.

This measure, in its original form, was included in the Hawaii State Association of Counties' ("HSAC") Legislative Package; therefore, I offer this testimony as HSAC's Secretary.

I am aware that the President of HSAC has submitted testimony, on behalf of HSAC, in opposition to this measure. As Secretary, I concur with the testimony submitted by the President, and urge you to **oppose** this measure.

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LATE

MAUI
CHAMBER OF COMMERCE
VOICE OF BUSINESS

HEARING BEFORE THE HOUSE COMMITTEE ON FINANCE
HAWAII STATE CAPITOL, HOUSE CONFERENCE ROOM 308
FRIDAY, FEBRUARY 16, 2018 AT 4:00 P.M.

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

TESTIMONY IN OPPOSITION TO HB 1665 HD1
RELATING TO THE TRANSIENT ACCOMMODATIONS TAX

Aloha, my name is Pamela Tumpap and I am the President of the Maui Chamber of Commerce. I am writing share our opposition to HB 1665 HD1.

We are disappointed to oppose this bill. We supported the intent of the original bill and had hoped that it would move forward so we could ring in. The sister islands in our state deserve their fair share of the Transient Accommodations Tax. Unfortunately, the bill was gutted and completely changed. Therefore, we oppose this measure and ask that it be indefinitely deferred.

Sincerely,

Pamela Tumpap

Pamela Tumpap
President

To advance and promote a healthy economic environment for business, advocating for a responsive government and quality education, while preserving Maui's unique community characteristics.

95 Mahalani Street, Suite 22A, Wailuku, Hawaii 96793 808-244-0081 info@MauiChamber.com MauiChamber.com