

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
HONOLULU, HAWAII 96813
<http://tax.hawaii.gov/>
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Email: Tax.Directors.Office@hawaii.gov

To: The Honorable Sylvia Luke, Chair
and Members of the House Committee on Finance

Date: Friday, February 23, 2018
Time: 12:00 P.M.
Place: Conference Room 308, State Capitol

From: Linda Chu Takayama, Director
Department of Taxation

Re: H.B. 2432, Relating to the Transient Accommodations Tax

The Department of Taxation (Department) supports the intent of H.B. 2432 and offers the following comments for the Committee's consideration.

H.B. 2432 amends the definition of "gross rental" or "gross rental proceeds" in section 237D-1, Hawaii Revised Statutes (HRS), to clarify that resort fees, defined as any mandatory charge or surcharge imposed by an operator, owner, or representative for the use of the transient accommodation's property, services, or amenities, are included in gross rental proceeds and therefore subject to the transient accommodations tax (TAT). The bill is effective on July 1, 2018.

Resort fees, also known as amenity fees and facility fees, are fees that are added to the nightly rate of transient accommodations. The components of resort fees vary greatly between transient accommodations, but often include amenities that were previously built into the nightly rate, such as in-room internet access, in-room water and coffee, use of an in-room safe, pool towels, access to pools, access to a fitness center, parking, and housekeeping. This bill will clarify that these fees, if mandatory, are subject to the TAT.

The Department further notes that it will be able to administer the changes in this bill with the current effective date.

Thank you for the opportunity to provide comments.



February 22, 2018

Representative Sylvia Luke, Chairperson
Representative Ty J.K. Cullen, Vice Chairperson
Finance Committee, House of Representatives
Hawaii State Legislature

Dear Representative Luke and Representative Cullen,

Testimony in Opposition to HB2432

The Kohala Coast Resort Association (KCRA) opposes HB2432, applying the transient accommodations tax to resort fees. These fees cover a wide variety of services not included in the standard room rental rate (parking, wifi access, health club access, etc.) and vary by property, room type, and negotiated rate (group, preferred member club, etc.). Therefore they should not be included in the calculation of transient accommodations taxes.

KCRA is a collection of master-planned resorts and hotels situated north of the airport which represents more than 3,500 hotel accommodations and an equal number of resort residential units. This is approximately 35 percent of the accommodations available on the Island of Hawai`i. KCRA member properties annually pay more than \$20 million in TAT and \$20 million in GET.

We encourage your opposition to this measure.

Sincerely,

A handwritten signature in black ink that reads "Stephanie P. Donoho". The signature is written in a cursive, flowing style.

Stephanie Donoho
Administrative Director

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: TRANSIENT ACCOMMODATIONS, Applies Tax to Resort Fees

BILL NUMBER: HB 2432; SB 2699 (Identical)

INTRODUCED BY: HB by SAIKI; SB by WAKAI, BAKER, RIVIERE, Dela Cruz, Harimoto, Kim, Nishihara

EXECUTIVE SUMMARY: Imposes the transient accommodations tax on additional hotel resort fees that are calculated separately from the advertised transient accommodation's rate.

SYNOPSIS: Adds a new definition of “resort fee” to section 237D-1, HRS. Resort fee is defined as any mandatory charge or surcharge imposed by an operator, owner, or representative thereof to a transient for the use of the transient accommodation's property, services, or amenities.

Amends the definition of “gross rental” in section 237D-1, HRS, to explicitly include resort fees

EFFECTIVE DATE: July 1, 2018

STAFF COMMENTS: As we understand the law, a “resort fee” as so defined is already subject to transient accommodations tax, so the bill does nothing substantive but may make the codified law more explicit.

The need for the bill may be obviated if the Department issues administrative guidance, such as a Tax Information Release, stating that this type of fee is and has been subject to the TAT.

If the bill is merely interpretive, the Committee may consider a retroactive effective date.

Digested 2/10/2018



LATE

Testimony of

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

before the
Committee on Finance
February 23, 2018

House Bill 2432: Relating to the Transient Accommodations Tax

Chair Luke, Vice Chair Cullen, and committee members:

On behalf of the Hawai'i Lodging & Tourism Association, the state's largest private-sector visitor industry organization with nearly 700 members, thank you for the opportunity to testify regarding House Bill 2432, which proposes to apply the transient accommodations tax to hotel resort fees.

We most strongly oppose this measure, for these reasons:

- The TAT is not applied to the resort fee because this charge is not part of a guest room or transient accommodation. It is for services or products used by guests, such as the use of gym and spa facilities, wifi, shuttle services, and so forth. However, the hotels do collect and remit to the state the general excise tax on these resort fees.
- Many lodging properties have decided to recover some of the costs of guest amenities through the resort fee. This fee customarily includes a bundle of services that would cost more individually if they were not grouped. Hotel surveys have revealed that guests prefer an all-inclusive resort fee rather than being charged for each service used, as was the practice in the past.
- Hotels have been transparent about these resort fees. They are fully disclosed on hotel websites, as well as on online booking engines and at the time of check-in.
- As an industry, we opposed a similar proposal in 2013 and again in 2014. Since then, our industry has continued to experience increased costs of doing business in terms of employee payroll and benefits, construction and maintenance, utilities, and higher taxes.
- The visitor industry, and Hawai'i's economy as a whole, have enjoyed six consecutive years of growth, meaning that TAT revenues have grown commensurately and so has the amount of revenue being diverted to the general fund. Not only is additional revenue being generated, but the visitor industry has to finance the City and County of Honolulu's rail project and is being asked to fund

public education. This common practice of the hospitality industry footing the bill for new mandates and to balance the budget with the only overarching justification given that the State needs the money is a dangerous pattern with no end in sight. Last session it was a new increase to the TAT, this year it's the TAT on resort fees, what will it be next year?

- Legislators promised that the TAT would revert back to 7.75 percent in 2015, but that provision died and we have since been on the watch for ever more increases. In fiscal year 2013, the general fund allocation from the TAT was 41.9%, five years later it ballooned to 52.3% and in fiscal year 2018 it grew to 60.4%.

The visitor industry is the economic driver for our economy. It generates more than 204,000 jobs, and raises \$545 million through the TAT alone, a tax that was just raised at the beginning of the year and is levied solely on the hotel, resort, and timeshare industry.

The visitor industry is a fragile and highly competitive industry and we are one of the highest taxed leisure and resort destinations in the country. Adding additional taxes on an already expensive destination only puts us at a disadvantage in the local and global markets.

Rather than continuing to balance the budget on the backs of the hospitality industry, if both legislative chambers came together with the Governor's concurrence, resolving the tax collection issue with transient vacation rentals would generate the additional revenue you seek.

For these reasons, we oppose this measure.

Mahalo,



Mufi Hannemann
President & CEO



Gregg Nelson
Chairman of the Board



Glenn Vergara
Chairperson Elect



Michael Jokovich
Vice Chairperson



Bonnie Kiyabu
Oahu Chapter Chairperson



Angela Nolan
Maui Chapter Chairperson



Steve Yannarell
Hawai'i Island Chapter Chairperson



Jim Braman
Kaua'i Chapter Chairperson

Rob Robinson, Managing Director, Alohilani Resort
Matthew Grauso, General Manager, Alohilani Resort
Roy Yamamoto, General Manager, Ambassador Hotel
Kurt Kishaba, General Manager, Pearl Hotel Waikiki
Jim Paulon, General Manager Courtyard Marriott Waikiki
Kelly Hoen, Area General Manager, Outrigger Reef Waikiki Beach Resort & Outrigger Waikiki Beach Resort
Revell K. Newton, General Manager, Outrigger Waikiki Beach Resort
Chryssaldo Thomas, Resort Manager, Outrigger Waikiki Beach Resort
Kelly Sanders, Area General Manager, Marriott Hawaii
Cheryl Williams , General Manager, The Royal Hawaiian Resort
Michael Czarcinski , General Manager, The Westin Moana Surfrider
Fredrick Orr , General Manager, The Sheraton Princess Kaiulani
Tetsuji Yamazaki , General Manager, The Sheraton Maui
Tomo Kuriyama , Deputy General Manager, The Sheraton Waikiki
Dan King, General Manager, Grand Hyatt Kaua`i Resort & Spa
Doug Sears, General Manager, Hyatt Regency Waikiki Beach Resort & Spa
Matthew Bailey, President & COO, Aqua-Aston Hospitality
Jeff Caminos, VP Operations, Aqua-Aston Hospitality
Susan Cowan, VP Operations, Aqua-Aston Hospitality
Patrick Kozuma, General Manager, Aston Waikiki Beach Tower
Kaniela Neves, General Manager, Aston at the Waikiki Banyan
Chip Crosby, General Manager, Aston Waikiki Circle
Terry Dowsett, General Manager, Aston at the Executive Center Hotel
Doug Okada, General Manager, Aston Waikiki Sunset
Tim Clark, General Manager, Aqua Aloha Surf Waikiki
Lendy Ma, General Manager, Aqua Ewa Beach Hotel & Aqua White Sands Hotel
Wes Kawakami, General Manager, Ilikai Hotel
Wade Gesteuyala, General Manager, Hampton Inn & Suites by Hilton
Clem Lagundimao, General Manager, Luana Waikiki Hotel & Suites
Ward Almeida, General Manager, Lotus Honolulu at Diamond Head
Alberto Roque, Area General Manager, Pagoda Hotel
Patty Maher, General Manager, Aqua Palma Waikiki
Miho Kamanao-Espiritu, General Manager, Aqua Park Shore Waikiki
Brian Kovaloff, General Manager, Aqua Skyline at Island Colony
Lynette Eastman, General Manager, The Surfjack Hotel & Swim Club
Mark Mrantz, General Manager, Aston Kaanapali Shores
Brian Cox, General Manager, Aston Mahana at Kaanapali
Steven Berger, General Manager, Aston at the Maui Banyan
Greg Peros, General Manager, Aqua Maui Beach Hotel
Dawn Kane, VP, Principal Broker, Maui Condo & Home
Dennis Costa, General Manager, Aston Maui Hill
Lyn Molina, General Manager, Aston at Papakea & Aston Paki Maui
Grant James, General Manager, Aqua Kauai Beach Resort
Lori Morita, General Manager, Aston Islander on the Beach
Kyoko Kimura, Sr. Director Owner Relations, Aqua-Aston Hospitality

The following is a list of hotels represented by the Hawai'i Lodging & Tourism Association:

Aqua-Aston Hospitality, LLC	Aston at the Executive Centre Hotel
Castle Resorts & Hotels	Aston at the Maui Banyan
Colony Capital, LLC	Aston at the Waikiki Banyan
Halekulani Corporation	Aston at The Whaler on Kaanapali Beach
Hawaiian Hotels & Resorts, LLC	Aston Islander on the Beach
Highgate Hotels	Aston Kaanapali Shores
Hilton Grand Vacations	Aston Kona by the Sea
InterContinental Hotels Group	Aston Mahana at Kaanapali
Ko Olina Resort	Aston Maui Hill
Kyo-ya Company LLC	Aston Maui Kaanapali Villas
Kyo-ya Management Company, Ltd.	Aston Shores at Waikoloa
Lucky Hotels U.S.A. Co., Ltd.	Aston Waikiki Beach Hotel
Marriott International, Inc.	Aston Waikiki Beach Tower
Outrigger Enterprises Group	Aston Waikiki Beachside Hotel
Prince Resorts Hawaii, Inc.	Aston Waikiki Circle Hotel
Pulama Lana`i	Aston Waikiki Sunset
Sasada International, LLC	Aston Waikoloa Colony Villas
Aina Nalu Lahaina by Outrigger	Aulani, a Disney Resort & Spa
Airport Honolulu Hotel	Best Western Pioneer Inn
Ala Moana Hotel	Best Western The Plaza Hotel
Alohilani Resort Waikiki Beach	Breakers Hotel
Ambassador Hotel Waikiki	Coconut Waikiki Hotel
Andaz Maui at Wailea Resort	Courtyard by Marriott Kaua'i at Coconut Beach
Aqua Aloha Surf Waikiki	Courtyard by Marriott King Kamehameha's Kona Beach
Aqua Bamboo & Spa	Courtyard by Marriott Waikiki Beach
Aqua Kauai Beach Resort	Courtyard Oahu North Shore
Aqua Oasis	Doubletree by Hilton Alana Waikiki Hotel
Aqua Pacific Monarch	Embassy Suites by Hilton Oahu Kapolei
Aqua Palms Waikiki	Embassy Suites Hotel - Waikiki Beach Walk
Aqua Park Shore Waikiki	Ewa Hotel Waikiki - A Lite Hotel
Aqua Skyline at Island Colony	Fairmont Orchid Hawaii
Aqua White Sands Hotel	Four Seasons Resort Lana`i
Aston at Papakea Resort	Four Seasons Resort Maui
Aston at Poipu Kai	Four Seasons Resort O'ahu at Ko Olina

Grand Hyatt Kauai Resort & Spa
Grand Naniloa Hotel
Grand Wailea
Hale Koa Hotel
Halekulani
Hampton Inn & Suites, Kapolei
Hapuna Beach Prince Hotel
Hilton Garden Inn Kauai Wailua Bay
Hilton Garden Inn Waikiki Beach
Hilton Grand Vacations at Waikoloa Beach Resort
Hilton Grand Vacations Club
Hilton Hawaiian Village Waikiki Beach Resort
Hilton Waikiki Beach
Hilton Waikoloa Village Resort & Spa
Hokulani Waikiki by Hilton Grand Vacations Club
Holiday Inn Express Waikiki
Holiday Inn Waikiki Beachcomber Resort
Honua Kai Resort & Spa
Hotel Coral Reef Resort
Hotel Renew by Aston
Hotel Wailea Maui
Hyatt Centric Waikiki Beach
Hyatt Place Waikiki Beach
Hyatt Regency Maui Resort & Spa
Hyatt Regency Waikiki Beach Resort & Spa
Ilikai Hotel and Luxury Suites
Ilima Hotel
Ka`anapali Beach Club
Ka`anapali Beach Hotel
Kahana Falls
Kauai Marriott Resort & Beach Club
Kiahuna Plantation Resort by Castle Resorts
Ko`a Kea Hotel & Resort
Kona Coast Resort
Lawai Beach Resort
Lotus Honolulu at Diamond Head
Luana Waikiki Hotel and Suites
Marriott's Kauai Lagoons, Kalanipu'u
Marriott's Ko Olina Beach Club
Marriott's Maui Ocean Club
Marriott's Waiohai Beach Club
Maui Beach Hotel
Maui Coast Hotel
Maui Condo & Home, LLC
Maui Eldorado Kaanapali by Outrigger
Mauna Kea Resort
Mauna Lani Resort
Mauna Loa Village IOA
Moana Surfrider, A Westin Resort & Spa
Montage Kapalua Bay
Napili Kai Beach Resort
OHANA Waikiki East by Outrigger
OHANA Waikiki Malia
Ohia Waikiki Hotel
Outrigger Kiahuna Plantation
Outrigger Napili Shores
Outrigger Palms at Wailea
Outrigger Reef Waikiki Beach Resort
Outrigger Regency on Beachwalk
Outrigger Royal Sea Cliff
Outrigger Waikiki Beach Resort
Pacific Marina Inn
Pagoda Hotel
Pearl Hotel Waikiki
Plantation Hale Suites
Prince Waikiki
Queen Kapiolani
Raintree - Kona Reef Raintree Vacation Club
Ramada Plaza Waikiki
Royal Grove Hotel
Royal Kahana Maui by Outrigger
Royal Kona Resort
Royal Lahaina Resort
Sheraton Kauai Resort
Sheraton Kona Resort & Spa at Keauhou Bay
Sheraton Maui Resort and Spa
Sheraton Princess Kaiulani
Sheraton Waikiki Resort

Shoreline Hotel Waikiki
St. Regis Princeville Resort
Stay Hotel Waikiki
The Cliffs at Princeville
The Club at Kukui`ula
The Fairmont Kea Lani, Maui
The Imperial Hawaii Resort At Waikiki
The Kahala Hotel & Resort
The Laylow, Autograph Collection
The MODERN Honolulu
The New Otani Kaimana Beach Hotel
The Point at Poipu, Diamond Resorts International
The Ritz-Carlton Residences, Waikiki Beach
The Ritz-Carlton, Kapalua
The Royal Hawaiian, A Luxury Collection Resort
The Surfjack Hotel & Swim Club
The Westin Maui Resort & Spa
The Westin Princeville Ocean Resort Villas
Travaasa Hana
Trump International Hotel Waikiki
Turtle Bay Resort
Vive Hotel Waikiki
Waikiki Beach Marriott Resort & Spa
Waikiki Grand Hotel
Waikiki Parc Hotel
Waikiki Resort Hotel
Waikiki Sand Villa Hotel
Waikiki Shore
Waikoloa Beach Marriott Resort & Spa
Wailea Beach Marriott Resort & Spa
Waipouli Beach Resort & Spa by Outrigger
Westin Ka'anapali Ocean Resort Villas
Wyndham at Waikiki Beach Walk
Wyndham Vacation Resorts Royal Garden at Waikiki



‘A LOH I L A N I
R E S O R T
W A I K I K I B E A C H

LATE

February 22, 2018

Aloha,

On behalf of Highgate, which currently manages 4 hotels in Waikiki representing 1,684 rooms and over 600 employees, we are respectfully writing to you to express our opposition to House Bill 2432 and Senate Bill 2699, which calls for the imposition of the transient accommodations tax on resort fees.

We strongly oppose House Bill 2432 and Senate Bill 2699, for several reasons:

- The TAT is not applied to the resort fee because this charge is not part of a guest room or transient accommodation. It is for services or products used by guests, such as the use of gym and spa facilities, wifi, shuttle services, and so forth. However, the hotels do collect and remit to the state the general excise tax on these resort fees.
- Many lodging properties have decided to recover some of the costs of guest amenities through the resort fee. This fee customarily includes a bundle of services that would cost more individually if they were not grouped. Hotel surveys have revealed that guests prefer an all-inclusive resort fee rather than being charged for each service used, as was the practice in the past.
- Hotels have been transparent about these resort fees. They are fully disclosed on hotel websites, as well as on online booking engines and at the time of check-in.

As an industry, we opposed a similar proposal in 2013 and into the 2014 session. Since then, our industry has continued to experience increased costs of doing business in terms of employee payroll and benefits, construction and maintenance, utilities, and higher taxes.

The visitor industry is the economic driver for our economy. It generates more than 204,000 jobs, and raises \$508 million through the TAT alone, a tax that was just raised at the beginning of the year and is levied solely on the hotel, resort, and timeshare industry. It is worth noting that, at present, 50 percent of the TAT revenues is going to the state's general fund. Additionally, this measure, if enacted, would set an unfortunate precedent as it would not be in keeping with the original intent of the transient accommodations tax.

The visitor industry is a fragile and highly competitive industry and we are one of the highest taxed leisure and resort destinations in the country. Adding additional taxes on an already expensive destination only puts us at a disadvantage in the local and global markets. For example, in the 2018 special legislative session the State enacted a 1 percent increase on the TAT to fund the Honolulu Rail Transit project despite our overwhelming opposition as we would have preferred that the GET be the

funding source. Rather than continuing to balance the budget on the backs of the hospitality industry, resolving the tax collection issue with the transient vacation rentals that would level the playing field and ensure transparency, accountability, and enforcement would bring in millions of dollars into the state's economy.

For these reasons, we humbly ask for your support in opposing these bills.

Sincerely,

Rob Robinson
Managing Director
Alohilani Resort

Matthew Grauso
General Manager
Alohilani Resort

Roy Yamamoto
General Manager
Ambassador Hotel

Kurt Kishaba
General Manager
Pearl Hotel Waikiki

Jim Paulon
General Manager
Courtyard Marriott Waikiki



Maui Hotel & Lodging
ASSOCIATION

Testimony of

Lisa H. Paulson

Executive Director

Maui Hotel & Lodging Association

on

HB 2432

RELATING TO THE TRANSIENT ACCOMMODATIONS TAX

COMMITTEE ON FINANCE

Friday, February 23, 2018, 12:00 pm

Conference Room 308

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

The Maui Hotel & Lodging Association (MHLA) is the legislative arm of the visitor industry. Our membership includes 185 property and allied business members in Maui County – all of whom have an interest in the visitor industry. Collectively, MHLA’s membership employs over 25,000 residents and represents over 19,000 rooms. The visitor industry is the economic driver for Maui County. We are the largest employer of residents on the Island - directly employing approximately 40% of all residents (indirectly, the percentage increases to 75%).

MHLA opposes HB 2432, which imposes the transient accommodations tax on additional hotel resort fees that are calculated separately from the advertised transient accommodation's rate.

MHLA believes that changing the language in 237D-1 to add “resort fees” to “gross rental proceeds” is not appropriate as resort fees are for services or products provided to the guest sometimes through a third part vendor e.g gym/spa facilities, shuttle services, snorkeling equipment.

The resort fee typically includes a bundle of services that would cost more individually if they were not grouped. Hotel surveys have revealed that guests prefer an all-inclusive resort fee rather than being charged for each service used.

Keeping our costs level is critical to our ability to compete against other sun destinations, especially now when we are seeing an increased amount of competition with new resort locations and other destinations’ deeply discounted air/hotel/car packages. Hawaii has reached the point where high business costs and tax rates make it increasingly difficult for business to be profitable and competitive, in both the domestic and international markets.

Maui Hotel & Lodging Association is opposed to raising taxes and leveraging extra fees on the visitor industry.

Thank you for the opportunity to testify.

The following is a list of hotels (members) represented by Maui Hotel & Lodging Association:

Andaz Maui
Aston at the Whaler on Kā'anapali Beach
Aston Kā'anapali Shores
Aston Mahana at Kā'anapali
Best Western Pioneer Inn
Destination Maui Vacation Rentals
Destination Residences Hawai'i
Fairmont Kea Lani, Maui
Four Seasons Resort Lāna'i
The Lodge at Koele, a Four Season Resort
Four Seasons Resort Maui at Wailea
Grand Wailea Resort
Hana Kai Maui Resort
Honua Kai Resort & Spa
Hotel Molokai
Hotel Wailea Maui
Hyatt Regency Maui Resort & Spa
Hyatt Residence Club, Kā'anapali Beach
Kā'anapali Beach Club
Kā'anapali Beach Hotel
Kahana Falls
Lāhaina Shores, Classic Resorts
Mana Kai Maui
Marriott's Maui Ocean Club
Maui Beach Hotel
Maui Coast Hotel
Maui Condo & Home, LLC
Maui Eldorado Kā'anapali by Outrigger
Mauian Hotel, The
Montage Kapalua Bay
Napili Kai Beach Resort
Napili Shores Resort by Outrigger
Plantation Inn
Residence Inn Maui Wailea
Ritz-Carlton Kapalua
Royal Lāhaina Resort
Sheraton Maui Resort & Spa
Travaasa Hana
Wailea Beach Marriott Resort & Spa
Wailea Point
Westin Kā'anapali Ocean Resort Villas
Westin Maui Resort & Spa
Westin Nanea Ocean Villas
Maui Beach Ocean View Rentals, LLC

HB-2432

Submitted on: 2/23/2018 11:34:06 AM

Testimony for FIN on 2/23/2018 12:00:00 PM

LATE

Submitted By	Organization	Testifier Position	Present at Hearing
Vicki Ama	Waikiki Resort Hotel	Oppose	No

Comments:

Aloha! I oppose house bill 2432 to apply a TAT tax to hotel resort fees. Hotel resort fees are not truly accommodation charges, but charges for services and products, which are taxed at the GE rate. Instead I feel that government should work much harder to resolve the tax collection issue with VRBO's and Airbnb's to generate the additional revenue being seeked.

February 23, 2018

House of Representatives
Hawaii State Capitol
415 South Beretania Street
Honolulu, HI 96813

LATE

Regarding: House Bill 2432: Relating to the Transient Accommodations Tax
Testimony before the Committee on Finance

Chair Luke, Vice Chair Cullen, and committee members:

On behalf of Marriott International, Inc., the state's largest hotel company, I want to thank you for the opportunity to testify regarding House Bill 2432, which proposes to apply the transient accommodations tax to hotel resort fees.

We strongly oppose House Bill 2432, for the following reasons:

- The TAT is not applied to the resort fee because this charge is not part of a guest room or transient accommodation. It is for services or products used by guests, such as the use of gym and spa facilities, wifi, shuttle services, and so forth. However, the hotels do collect and remit to the state the general excise tax on these resort fees.
- Many lodging properties have decided to recover some of the costs of guest amenities through the resort fee. This fee customarily includes a bundle of services that would cost more individually if they were not grouped. Hotel surveys have revealed that guests prefer an all-inclusive resort fee rather than being charged for each service used, as was the practice in the past.
- Hotels have been transparent about these resort fees. They are fully disclosed on hotel websites, as well as on online booking engines and at the time of check-in.
- As an industry, we opposed a similar proposal in 2013 and again in 2014. Since then, our industry has continued to experience increased costs of doing business in terms of employee payroll and benefits, construction and maintenance, utilities, and higher taxes.
- The visitor industry, and Hawai'i's economy as a whole, have enjoyed six consecutive years of growth, meaning that TAT revenues have grown commensurately and so has the amount of revenue being diverted to the general fund. Not only is additional revenue being generated, but the visitor industry has to finance the City and County of Honolulu's rail project and is being asked to fund public education. This common practice of the hospitality industry footing the



bill for new mandates and to balance the budget with the only overarching justification given that the State needs the money is a dangerous pattern with no end in sight. Last session it was a new increase to the TAT, this year it's the TAT on resort fees, what will it be next year?

- Legislators promised that the TAT would revert back to 7.75 percent in 2015, but that provision died and we have since been on the watch for ever more increases. In fiscal year 2013, the general fund allocation from the TAT was 41.9%, five years later it ballooned to 52.3% and in fiscal year 2018 it grew to 60.4%.

The visitor industry is the economic driver for our economy. It generates more than 204,000 jobs, and raises \$545 million through the TAT alone, a tax that was just raised at the beginning of the year and is levied solely on the hotel, resort, and timeshare industry.

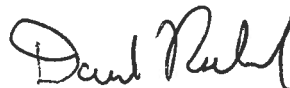
The visitor industry is a fragile and highly competitive industry and we are one of the highest taxed leisure and resort destinations in the country. Adding additional taxes on an already expensive destination only puts us at a disadvantage in the local and global markets.

Rather than continuing to balance the budget on the backs of the hospitality industry, if both legislative chambers came together with the Governor's concurrence, resolving the tax collection issue with transient vacation rentals would generate the additional revenue you seek.

We respectfully submit this testimonial in opposition to House Bill 2432.



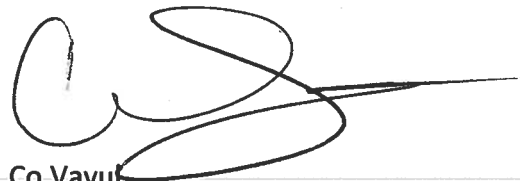
Harris Chan
Area Vice President, Operations



David Richard
Area Director of Sales



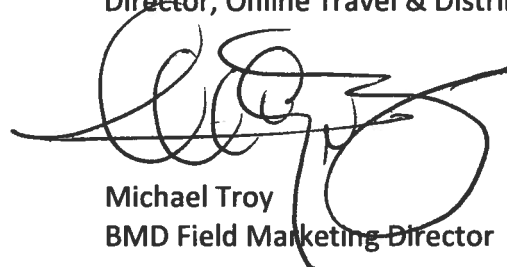
Riko Matsuoka
Area Director of Revenue Management



Co Vavut
Director, Online Travel & Distribution



Dale Carstensen
Market Director, Leisure Sales



Michael Troy
BMD Field Marketing Director

HB-2432

Submitted on: 2/23/2018 11:51:18 AM

Testimony for FIN on 2/23/2018 12:00:00 PM

LATE

Submitted By	Organization	Testifier Position	Present at Hearing
Cheryl Williams	The Royal Hawaiian, a Luxury Collection Resort	Comments	No

Comments:

Aloha Legislators:

I am a resident of Hawai'i and the General Manager of The Royal Hawaiian, a Luxury Collection Resort.

I am writing to express my opposition to House Bill 2432, which proposes to apply the transient accommodations tax to hotel resort fees.

Reasons include:

- The TAT is not applied to the resort charge because this charge is not part of a guest room or transient accommodation. It is for products, and historical and cultural experiences used by our guests. Products include the usage to our fitness center, wifi, local and long distance calls. Our historical and cultural experiences include lei making, cultural cleansing experience on Waikiki Beach, Hula, Yoga and much more. However, the hotel does collect and remit to the state the general excise tax on our resort charge.
- Our property recovers some of the costs of guest amenities through our resort charge. This charge customarily includes a bundle of services that would cost more individually if they were not grouped. Our hotel has implemented a resort charge as our guests prefer an all-inclusive charge, which includes a variety of services verses paying of these items a la carte.
- The Royal Hawaiian, a Luxury Collection Resort is transparent about our resort charge and its amenities are fully disclosed on our hotel website, as well as on our online booking partner websites and shared with our guests upon check-in.
- As an hotelier, we opposed a similar proposal in 2013 and again in 2014. Since then, our hospitality industry has continued to experience increased costs of doing business in terms of employee payroll and benefits, construction and maintenance, utilities, and higher taxes.
- I understand from the Hawai'i Lodging & Tourism Association that our visitor industry, and Hawai'i's economy as a whole, continues to see continuous growth within our economy. Thus, meaning that TAT revenues have grown and so has the amount of revenue being diverted to State's general fund. Not only is

additional revenue being generated, but the visitor industry has to finance the City and County of Honolulu's rail project and is being asked to fund public education.

- Legislators promised that the TAT would revert back to 7.75 percent in 2015, but that provision died and we have since been on the watch for ever more increases. In fiscal year 2013, the general fund allocation from the TAT was 41.9%, five years later, it increased to 52.3% and in fiscal year 2018 it grew to 60.4%.

The hospitality industry is a fragile and highly competitive industry and our State is one of the highest taxed leisure and resort destinations in the country. I therefore urge both legislative chambers to come together with the Governor's concurrence in resolving the tax collection issue with transient vacation rentals to generate additional revenue.

Thank you for your consideration.



Cheryl Williams

General Manager

The Royal Hawaiian, a Luxury Collection Resort