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Date & Time
Feb 12, 2018, 9:24 am

DAVID Y. IGE
GOVERNOR

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DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION
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To: The Honorable Richard H.K. Onishi, Chair
and Members of the House Committee on Tourism

Date: Tuesday, February 13, 2018
Time: 9:00 A.M.
Place: Conference Room 429, 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.

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February 10, 2018

Representative Richard Onishi, Chair
Representative Beth Fukumoto, Vice Chair
House Committee on Tourism

Dear Representative Onishi and Representative Fukumoto,

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 fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Stephanie Donoho
Administrative Director



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 TOURISM

Tuesday, February 13, 2018, 9:00 am

Conference Room 429

Dear Chair Onishi, Vice Fukumoto, 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.

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. Hawai‘i 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.

LATE



HAWAI'I LODGING & TOURISM
ASSOCIATION

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Date & Time
Feb 13, 2018, 8:12 am

Testimony of

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

before the
Committee on Tourism
February 13, 2018

House Bill 2432: Relating to the Transient Accommodations Tax

Chair Onishi, Vice Chair Fukumoto, and members of the Committee on Tourism:

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 on House Bill 2432, which calls for the imposition of the transient accommodations tax on resort fees.

The HLTA strongly opposes House Bill 2432, 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 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.

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 also 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.



HAWAI'I LODGING & TOURISM
ASSOCIATION

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.

Mahalo.

Sincerely,

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



HAWAI'I LODGING & TOURISM
A S S O C I A T I O N

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 |



HAWAI'I LODGING & TOURISM
A S S O C I A T I O N

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



HAWAI'I LODGING & TOURISM
A S S O C I A T I O N

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

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