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

Date: Wednesday, March 28, 2018  
Time: 3:00 P.M.  
Place: Conference Room 308, State Capitol

From: Linda Chu Takayama, Director  
Department of Taxation

Re: S.B. 2699, S.D. 2, H.D. 1, Relating to the Transient Accommodations Tax

The Department of Taxation (Department) supports S.B. 2699, S.D. 2, H.D. 1, and offers the following comments for the Committee's consideration.

S.B. 2699, S.D. 2, H.D. 1, amends the definition of "gross rental" or "gross rental proceeds" in Hawaii Revised Statutes (HRS) section 237D-1, 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 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.

# TAX FOUNDATION OF HAWAII

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126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

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**SUBJECT:** TRANSIENT ACCOMMODATIONS, Applies Tax to Resort Fees, Attaches Liability to Intermediary

**BILL NUMBER:** SB 2699, SD-2, HD-1

**INTRODUCED BY:** House Committee on Tourism

**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 3/27/2018



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46-063 Emepela Pl. #U101 Kaneohe, HI 96744 · (808) 679-7454 · Kris Coffield · Co-founder/Executive Director

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**TESTIMONY FOR SENATE BILL 2699, SENATE DRAFT 2, HOUSE DRAFT 1,  
RELATING TO THE TRANSIENT ACCOMMODATIONS TAX**

**House Committee on Finance  
Hon. Sylvia Luke, Chair  
Hon. Ty J.K. Cullen, Vice Chair**

**Wednesday, March 28, 2018, 3:00 PM  
State Capitol, Conference Room 308**

Honorable Chair Luke and committee members:

I am Kris Coffield, representing IMUAlliance, a nonpartisan political advocacy organization that currently boasts over 400 members. On behalf of our members, we offer this testimony in support of Senate Bill 2699, SD 2, House Draft 1, relating to conformity to the transient accommodations tax.

We support the overall revenue generation initiative undertaken by this bill, the SD1 version of which would send an estimated \$19.4 million flowing into our state's coffers, according to a report in the *Star-Advertiser* on March 11 of this year. Our state needs additional revenue to care for the homeless, build affordable housing, provide a quality education to all of our keiki, nurture and protect our natural resources, and more. Increasing revenue to meet these needs is imperative in any year, even more so at a time when the federal government is imposing a system of fiscal austerity that will trim funding for basic services. The transient accommodations tax has increased steadily over the past five years, topping \$508 million for the first time in fiscal year 2017. TAT revenue is projected to exceed \$545 million for fiscal year 2018, according to the Hawai'i Tourism Authority. Resort fees are imposed for the use of a transient accommodation's property, services, or amenities, but currently are not definitively included within the gross rental proceeds amount upon which the transient accommodations tax is calculated. Mahalo for the opportunity to testify in support of this bill.

Sincerely,  
Kris Coffield  
*Executive Director*  
IMUAlliance



**HAWAI'I LODGING & TOURISM**  
**ASSOCIATION**

Testimony of

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

before the  
Committee on Finance

March 28, 2018  
Senate Bill 2699 SD2 HD1: 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 on Senate Bill 2699 SD2 HD1, 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 for the opportunity to offer this testimony.

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 Yamarell  
Hawai'i Island Chapter Chairperson



Jim Braman  
Kaua'i Chapter Chairperson

Harris Chan, Area Vice President, Hawaii & French Polynesia, Marriott International  
Cheryl Williams, General Manager, The Royal Hawaiian Resort  
Michael Czarcinski, General Manager, The Westin Moana Surftrider  
Fredrick Orr, General Manager, The Sheraton Princess Kaiulani  
Tetsuji Yamazaki, General Manager, The Sheraton Maui  
Tomo Kuriyama, Deputy General Manager, The Sheraton Waikiki  
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  
Simeon Miranda, General Manager, Embassy Suites by Hilton Waikiki Beach Walk  
Dan King, General Manager, Grand Hyatt Kaua`i Resort & Spa  
Doug Sears, General Manager, Hyatt Regency Waikiki Beach Resort & Spa  
Robin Graf, Vice President of Operations, Castle Resorts & Hotels  
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  
Michael Wilding, General Manager, Doubletree by Hilton Alana – Waikiki Beach

The Following is a list of hotels represented by the Hawaii 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 by Hilton 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 Nanioloa 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



March 26, 2018

Representative Sylvia Luke, Chair  
Representative Ty J.K. Cullen, Vice Chair  
House Committee on Finance  
Hawaii State Legislature

Dear Representative Luke, Representative Cullen and Members of the House Committee on Finance,

**Testimony in Opposition to SB2699 SD2 HD1**

The Kohala Coast Resort Association (KCRA) opposes SB2699 SD2 HD1, 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



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**David Y. Ige**  
*Governor*

**George D. Szigeti**  
*President and Chief Executive Officer*

Statement of  
**George D. Szigeti**  
Chief Executive Officer  
Hawai'i Tourism Authority  
on

**LATE**

**SB2699 SD2 HD1**  
**Relating to the Transient Accommodations Tax**  
House Committee on Tourism  
Wednesday, March 28, 2018  
3:00 p.m.  
Conference Room 308

Chair Luke, Vice-Chair Cullen and Committee Members:

The Hawai'i Tourism Authority (HTA) **opposes SB2699 SD2 HD1**, which would impose the Transient Accommodations Tax (TAT) on hotel resort fees that are calculated separately from the advertised rate.

HTA is opposed to measures that would increase the cost for residents and visitors to vacation in the Hawaiian Islands. A direct relationship exists between the number of visitors booking nights in transient accommodations and TAT revenues, which are generated by nights spent in transient accommodations. Last year, Hawai'i's visitor industry supported 204,000 jobs and brought \$1.96 billion in tax revenue. It is important to keep in mind the potential effect of deterring visitors from choosing Hawai'i as a destination if the cost of booking nights in transient accommodations were increased.

Mahalo for the opportunity to offer this testimony.