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# A BILL FOR AN ACT

RELATING TO TAXATION.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. The legislature finds that the tax formula for  
2   levying taxes on time share units has not been adjusted since  
3   the State began taxing time shares in 1998. When the  
4   legislature first enacted the tax formula on time shares, the  
5   legislature sought to create tax equity between the hotel and  
6   time share markets. Accordingly, the existing tax formula for  
7   time shares is based on the "fair market rental value" of the  
8   time share unit. Unfortunately, the existing tax formula for  
9   time shares significantly underestimates the fair market rental  
10  value of many time share units, particularly those units that  
11  are not rented on the open market, and therefore often fails to  
12  assess taxes at a fair and proper rate. Consequently, the  
13  legislature finds that the formula for calculating the amount of  
14  tax owed by time share owners should be updated to better  
15  reflect economic and industry changes that have occurred in the  
16  more than two decades since the legislature first established  
17  the initial time share tax formula.

1 The purpose of this Act is to update the formula for the  
2 amount of tax collected from time shares by increasing the base  
3 upon which a time share is taxed from one-half of the gross  
4 daily maintenance fees paid by the owner of the time share unit  
5 to an amount equal to all of those fees.

6 SECTION 2. Section 237D-1, Hawaii Revised Statutes, is  
7 amended by amending the definition of "fair market rental value"  
8 to read as follows:

9 "Fair market rental value" means an amount equal to [~~one-~~  
10 ~~half-of~~] the gross daily maintenance fees that are paid by the  
11 owner and are attributable to the time share unit located in  
12 Hawaii. Gross daily maintenance fees include maintenance costs,  
13 operational costs, insurance, repair costs, administrative  
14 costs, taxes, other than transient accommodations taxes, resort  
15 fees, and other costs including payments required for reserves  
16 or sinking funds. Amounts paid for optional goods and services  
17 such as food and beverage services or beach chair or umbrella  
18 rentals shall be excluded from fair market rental value."

19 SECTION 3. Statutory material to be repealed is bracketed  
20 and stricken. New statutory material is underscored.

21 SECTION 4. This Act shall take effect on January 1, 2020.



**Report Title:**

Transient Accommodations Tax; Time Shares; Tax Base

**Description:**

Amends the formula for the amount of transient accommodations tax to be collected from time shares by increasing the base on which time share occupancy is taxed from one-half of the gross daily maintenance fees paid by the owner and attributable to the time share unit to an amount equal to all of those fees.

Effective 1/1/2020. (SD2)

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

