Honorable Ronald D. Kouchi
President of the Senate
Thirty-First State Legislature
Regular Session of 2021
State of Hawaii

Sir:

Your Committee on Energy, Economic Development, and Tourism, to which was referred S.B. No. 775 entitled:

"A BILL FOR AN ACT RELATING TO THE TRANSIENT ACCOMMODATIONS TAX,"

begs leave to report as follows:

The purpose and intent of this measure is to reduce the cost burden and negative impact from tourism on local residents by providing a mechanism to adjust the transient accommodations tax rate based on the number of tourists visiting Hawaii each calendar year.

Your Committee received testimony in support of this measure from the Department of Business, Economic Development, and Tourism. Your Committee received comments on this measure from the Department of Taxation, Department of Budget and Finance, Hawaiʻi Tourism Authority, Tax Foundation of Hawaii, and Hawaiʻi Lodging and Tourism Association.

Your Committee finds that tourism has been a critical industry and a pillar of Hawaii's modern economy for which the people of Hawaii are fortunate. With the numbers of tourists expected to continue to grow annually as Hawaii recovers from the coronavirus disease 2019 (COVID-19) pandemic, capturing additional dollars from tourism can help pay for public services,

infrastructure, and other needs that local taxpayers must currently pay for.

Your Committee further finds that to better manage tourism, the existing mechanism to adjust the transient accommodations tax should be modified by creating a more flexible method that allows for a base transient accommodations tax rate that fluctuates by a smaller percentage rate. Your Committee further finds that it is also important to provide clarity to hotels by requiring them to apply the transient accommodations tax rate at the time of the hotel booking.

Your Committee has amended this measure by:

(1) Changing the baseline transient accommodations tax rate to six percent based on visitor arrivals of six million;

(2) Adjusting the baseline transient accommodations tax rate by one percent per one million visitor arrivals of seven million visitor arrivals or more and decreasing it by one percent per one million visitor arrivals—but not falling below the baseline tax rate of six percent;

(3) Requiring the transient accommodations tax rate to apply at the time of the hotel booking;

(4) Requiring the Hawaii Tourism Authority and the State Data Book to determine and publish the annual visitor arrivals in the State for the preceding calendar year; and

(5) Changing the effective date of this measure to January 1, 2022.

As affirmed by the record of votes of the members of your Committee on Energy, Economic Development, and Tourism that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 775, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 775, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Energy, Economic
Development, and Tourism,

_____
GLENN WAKAI, Chair

The Senate
Thirty-First Legislature
State of Hawaiʻi

Record of Votes
Committee on Energy, Economic Development, and Tourism
EET

Bill / Resolution No.:*	Committee Referral:	Date:
SB 775	EET, WAM	2/3/21

☐ The Committee is reconsidering its previous decision on this measure.

If so, then the previous decision was to: _____

The Recommendation is:

☐ Pass, unamended
2312

☒ Pass, with amendments
2311

☐ Hold
2310

☐ Recommit
2313

Members	Aye	Aye (WR)	Nay	Excused
WAKAI, Glenn (C)	X			
MISALUCHA, Bennette E. (VC)	X			
LEE, Chris	X			
RIVIERE, Gil	X			
FEVELLA, Kurt				X
TOTAL	4	0	0	1

Recommendation:

☒ Adopted   ☐ Not Adopted

Chair's or Designee's Signature: _Gil Riviere_

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*Only <u>one</u> measure per Record of Votes