

EXECUTIVE CHAMBERS
KE KE'ENA O KE KIA'ĀINA

JOSH GREEN, M.D.
GOVERNOR
KE KIA'ĀINA

House Committee on Finance

Friday, February 23, 2024

11:30 a.m.

State Capitol, Conference Room 308, and Videoconference

Supports Intent

H.B. No. 2778, H.D. 1, Relating to Taxation

Chair Yamashita, Vice Chair Kitagawa, and members of the House Committee on Finance:

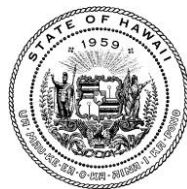
Thank you for the opportunity to testify in support of the intent of H.B. No. 2778, H.D. 1, Relating to Taxation. Like other legislative proposals that are intended to address the increased impacts of visitors on our communities and the importance of protecting and preserving our State's natural resources, H.B. No. 2778, H.D. 1 offers a means of mitigating the impacts of people on our environment. H.B. No. 2778, H.D. 1 would establish a surcharge on the Transient Accommodations Tax for transient vacation rentals located outside a zoned resort area.

During his State of the State Address, the Governor indicated that he would support sensible legislation that looks to curb or disincentivize vacation rentals that take away housing from Hawaii residents. We find this approach of using the tax code to create a new rate for short-term rentals outside of the resort zone to be interesting and innovative. We would defer to the Department of Taxation on administrative and implementation issues, but the Office of the Governor supports the intent of this proposal since it would also potentially provide additional resources to the State.

Thank you very much for the opportunity to provide testimony on this measure.

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION

Ka 'Oihana 'Auhau
P.O. BOX 259

HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
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GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

**TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No. 2778, H.D. 1, Relating to Taxation

BEFORE THE:

House Committee on Finance

DATE: Friday, February 23, 2024

TIME: 11:30 a.m.

LOCATION: State Capitol, Room 308

Chair Yamashita, Vice-Chair Kitagawa, and Members of the Committee:

The Department of Taxation ("Department") offers the following comments regarding H.B. 2778, H.D. 1, for your consideration.

H.B 2778, H.D. 1, amends sections 237D-1 and 237D-2, Hawaii Revised Statutes (HRS), to add new definitions and a surcharge on the transient accommodations tax (TAT). The bill currently has a placeholder effective date of January 1, 3000.

The newly-defined terms are "booking service," "county," "hosting platform," and "transient vacation rental," with "transient vacation rental" meaning either short-term rental home, short-term vacation rental, transient vacation rental, transient vacation unit, or transient vacation use, as defined by "county ordinance."

The surcharge applied to transient vacation rentals located outside of a zoned resort area is the greater of "(1) Five per cent on the gross rental or gross rental proceeds derived from furnishing transient accommodations; or (2) \$25 per day."

The Department first notes that the imposition of an alternative minimum surcharge of \$25 per day (if greater than 5 percent of the gross rental proceeds) may complicate the

tax forms and recordkeeping for taxpayers, with minimal positive revenue impact. For ease of administration, the Department suggests eliminating the \$25 alternative minimum surcharge.

The Department also notes that the bill's new definition of "transient vacation rentals" may cause confusion, given that transient accommodations are already broadly defined for TAT purposes as units furnished for less than 180 consecutive days (HRS § 237D-1). The new term creates a sub-class of rental units taxed differently based on different county definitions. For example, the City and County of Honolulu generally defines a "transient vacation unit" as one "advertised, solicited, offered or provided," for periods of less than 90 consecutive days, although a federal court injunction has maintained that that the classification only applies to units rented for periods of 30 days or less. Revised Ordinances of Honolulu § 21-10.1; see also Allison Schaefer, *Rentals ruled exempt from 90 – day change*, HONOLULU STAR-ADVERTISER, Jan. 1, 2024, at A1.

Under the current bill, the surcharge would apply when a Honolulu transient vacation unit outside a resort zoned area is rented for less than 180 days but not for more than 30 days (or 90 days if the federal injunction is lifted). Yet for counties that define transient vacation rentals as units rented for periods of less than 180 days (e.g., Maui County Code § 19.04.040, Kaua'i County Code § 8-1.5), the definition is indistinguishable from a "transient accommodation" under HRS § 237D-1, and the surcharge would apply to all units rented outside of resort zoned areas.

The Department requests that the bill be amended to remove the term "transient vacation rental" along with all references to this term, as it would unnecessarily complicate administration of the TAT with minimal positive revenue impact.

The bill further requires the Department to impose the surcharge only on transient vacation rentals outside of a "zoned resort area" without defining this term. If this Committee intends to advance this bill, the Department requests that the bill be amended to define "zoned resort area" to include "B-R Resort Commercial Districts" in Maui as established under Maui County Code Chapter 19.22, "Resort Districts" in the City and County of Honolulu as established under Revised Ordinances of Honolulu § 21-3.100, "Resort-RR Districts" in the County of Kaua'i as established under Kaua'i County Code § 8-2.1(b), and "V (Resort-Hotel) Districts" in the County of Hawai'i as established under Hawai'i County Code § 25-5-90.

The Department notes that while this amendment would clarify the bill, it would also present significant administrative challenges for the Department. County zoning

codes and definitions may change over time, vary from county to county, and their incorporation by reference would require the Department to obtain, track, and then verify information that is not currently reported by TAT taxpayers. Changes in county zoning definitions may also require subsequent legislative amendments. Historically, the TAT has been assessed uniformly on all transient accommodations regardless of location, so the Department lacks subject-matter expertise in administering the TAT (or any other tax) on the basis of county zoning laws. To account for this, the Department asks that the effective date be amended to January 1, 2025.

Thank you for the opportunity to provide comments on this measure.



Statement of:
Todd J. Robertson
Hyperspective
Before the
Committee on Finance

Individual Testimony in **Support of HB2406 HD1, HB2081 HD1, HB2778 HD1**

Aloha Honorable Members of the Committee,

My name is Todd Robertson and I am submitting written testimony on behalf of myself and my company, Hyperspective in strong **support of HB2406 HD1, HB2081 HD1, HB2778 HD1**, all of which would increase funding potential from visitors to go toward our local needs and 'āina. Our underinvestment in our environment is causing costly devastation, from firestorms, floods, and threats to public safety. I have been a resident of the State of Hawai'i and the City and County of Honolulu for more than 25 years, and I care deeply about our island community, the well-being of our people, and the 'āina to which we all have the kuleana/responsibility to care for.

Being an island community, completely remote from other places, we face enumerable challenges in the protection of our reefs, our coastal environments, and our communities from multiple threats, as well as all of the endemic species that have existed here far longer than humans. These challenges are exacerbated by climate change which will come with massive financial pitfalls.

Visitors do play a major role in the stresses on our environment and local communities, and therefore, they must play a financial role in the solutions needed to deal with those stresses. If passed, HB2406 HD1, HB2081 HD1, HB2778 HD1 could play a role in the distribution of much-needed funds to protect and preserve our state's resources. Please be a part of protecting our 'āina, helping to restore our ecosystems, and managing our natural resources for a more resilient and sustainable community by passing this bill.

As our leaders you hold the privilege of directly supporting this, doing what is best for our communities, and creating a legacy of making Hawai'i safer and better for our future. Passing this bill will send a strong message to our community that you are committed to that cause. Please help to change the negative moniker "Hawai'i is the extinction capital of the world" to a more positive "Hawai'i leads the world in protecting our resources."

This bill must be passed immediately, as the growing threats and challenges will not wait. Thank you for the opportunity to testify on this important bill.

Sincerely,

A handwritten signature in black ink, appearing to read "Todd J. Robertson", written in a cursive style.

Todd J. Robertson
President/CEO, Hyperspective

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**Trust for Public Land's Testimony Supporting
HB 2406 HD 1, HB 2081, and HB 2778 HD 1
House Committee on Finance
Friday, February 23, 2024, 11:30 a.m., Rm. 308**

Aloha Chair Yamshita, Vice-Chair Kitagawa and Committee Members:

Trust for Public Land **strongly supports** HB 2406 HD 1, HB 2081 HD1, and HB 2778 HD 1, all of which propose to increase funding from visitors for caring for our 'āina. Our chronic underinvestment in our cultural and natural resources has and will to continue to cause costly devastation -- firestorms, floods, and threats to public safety, lives, and livelihoods. We must begin addressing the future and surmounting costs of environmental disasters by investing in resilience and restoration solutions **today**. Mālama 'āina is our best insurance policy.

How we protect and manage our natural resources management and restoration and prevent and mitigate climate crises like the Maui fires, will determine whether our children and future generations inherit a healthy, safe, and beautiful environment – one upon which our visitor economy also depends. Our tourism dependent economy and our natural/cultural resources are inextricably linked – climate disasters like the Maui fires have devastating effects on our families and our economy. For too long, needed and critical investments in our natural/climate infrastructure have been deferred for lack of funding. CAN is a coalition of individuals and organizations committed to supporting measures to that will fund better management of the state's natural and cultural resources and responses to our looming climate crisis. We estimate that an additional \$360 million annually is needed to close the budget shortfall in protecting our islands against climate threats and impacts to tourism.

Trust for Public Land therefore strongly supports HB 2406 and urges the Committee to support its passage. Mahalo for this opportunity to testify. Unfortunately, I cannot be present to testify in person or Zoom due to a pre-existing scheduling conflict.

Mahalo –

Lea Hong
Hawai'i State Director
Edmund C. Olson Trust Fellow



February 21, 2024

House Committee on Finance - Hearing on February 23, 2024, 11:30am
Representative Yamashita, Chair
Representative Kitagawa, Vice-Chair

Testimony in Support of HB2778_HD1, Relating to Taxation

Chair Yamashita, Vice-Chair Kitagawa and Members of the Committee,

UNITE HERE Local 5 represents 10,000 working people in the hotel, food service and health care industries across Hawaii.

Local 5 has long advocated for better regulation of short-term vacation rentals. The traditional hotel business model provides positive benefits to Hawaii's working families compared to the negative impacts of short-term rentals. Traditional hotels offer reliable jobs, reputable operators, ancillary products/services, and robust tax revenues within properly zoned hotel/resort areas; we cannot say the same about short-term rentals.

We interpret HB2778_HD1 as an attempt to address problems transient vacation rentals bring to communities that are not zoned to host tourists and hotel-like businesses. It is not fair to local families when short-term rentals disrupt quality of life and strain infrastructure in residential areas. Applying a transient accommodation tax surcharge on transient vacation rentals outside of hotel/resort zoned areas is a reasonable mitigation measure.

The counties have different legislative frameworks for short-term rentals. HB2778_HD1 appears to adequately address potential points of confusion around definitions of "transient vacation rental" and zoning categories, despite the variability between counties.

We support the intent of HB2778_HD1.

Thank you for your consideration.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: TRANSIENT ACCOMMODATIONS, Surcharge on Accommodations Outside of Zoned Resort Areas

BILL NUMBER: HB 2778 HD 1

INTRODUCED BY: House Committee on Tourism

EXECUTIVE SUMMARY: Establishes a surcharge on the state transient accommodations tax for transient vacation rental units located outside a zoned resort area, unless the transient vacation rental is wholly contained within the grounds of a resort.

SYNOPSIS: Amends section 237D-1, HRS, by adding new definitions:

Defines "Booking service" as any reservation or payment service provided by a person or entity that facilitates a transient vacation rental transaction between an operator and a prospective renter, and for which the person or entity collects or receives, directly or indirectly through an agent or intermediary, a fee in connection with the reservation or payment services provided for the transient vacation rental transaction.

Defines "County" as the city and county of Honolulu and the counties of Hawaii, Kauai, and Maui; provided that the county of Maui shall include the county of Kalawao for the purposes of this section.

Defines "Hosting platform" as a person or entity that participates in the transient vacation rental business by providing, and collecting or receiving a fee for, booking services through which an operator may offer a transient vacation rental unit. Hosting platforms usually, though not necessarily, provide booking services through an online platform that allows an operator to advertise the transient vacation rental unit through a website provided by the hosting platform and the hosting platform conducts a transaction by which potential renters arrange use and payment, whether the renter pays rent directly to the operator or to the hosting platform.

Defines "Transient vacation rental" as "short-term rental home", "short-term vacation rental", "transient vacation rental", "transient vacation unit", or "transient vacation use", as defined by county ordinance."

Amends the definition of "operator" to mean any person operating a transient accommodation or transient vacation rental, whether as owner or proprietor or as lessee, sublessee, mortgagee in possession, licensee, or otherwise, or engaging or continuing in any service business which involves the actual furnishing of transient accommodation or transient vacation rental.

Amends section 237D-2, HRS, to add an additional tax with regard to a transient vacation rental located outside of a zoned resort area, unless the transient vacation rental is wholly contained within the grounds of a resort. The amount of the tax will be an additional 5 percentage points on the gross rental proceeds or \$25 per day, whichever is greater.

EFFECTIVE DATE: January 1, 3000.

STAFF COMMENTS: There appears to be no justification for the punitive treatment of transient vacation units outside of a resort zone (which zone is determined by the county, not the state). If the problem is that the unit is rented in violation of county code, it is not the State's problem to enforce, and county ordinances do permit transient rentals of such units under certain conditions (which this bill apparently ignores).

Digested: 2/21/2024

Feb. 23, 2024, 11:30 a.m.

Hawaii State Capitol

Conference Room 308 and Videoconference

To: House Committee on Finance

Rep. Kyle T. Yamashita, Chair

Rep. Lisa Kitagawa, Vice Chair

From: Grassroot Institute of Hawaii

Ted Kefalas, Director of Strategic Campaigns

RE: TESTIMONY IN OPPOSITION TO HB2778 HD1 — RELATING TO TAXATION

Aloha Chair Yamashita, Vice-Chair Kitagawa and Committee Members,

The Grassroot Institute of Hawaii would like to offer its comments in opposition to [HB2778 HD1](#), which would add a surcharge to the state transient accommodations tax for transient vacation rental units located outside of resort-zoned areas.

According to the bill, “transient vacation rental” means “short-term rental home,” “short-term vacation rental,” “transient vacation rental” or “transient vacation use,” as defined by county ordinance.

Also according to the bill, the surcharge is being proposed because “the Legislature finds that the operation of transient vacation rentals in areas that are not zoned as resort areas creates adverse impacts in the affected areas,” and that “additional funds are necessary to mitigate these adverse impacts.”

The bill presents no evidence to justify its allegation that TVRs cause “adverse impacts” in areas not zoned as resort areas.

It also fails to address how those adverse impacts would be mitigated. For example, would the state be in charge of spending this mitigation money, or would it be disbursed to the counties responsible for the maintenance, policing and infrastructure in those areas? The bill doesn't say.

Nor does the bill provide any estimate as to how much those alleged adverse impacts might actually cost.

Nevertheless, it proposes that the surcharge on such rentals should be equal to the greater of \$25 per day or 5% of the gross rental or gross rental proceeds derived from furnishing transient accommodations.

From one perspective, this bill seems like just another way to raise taxes while using a popular scapegoat — TVRs, short-term rentals, or whatever one might wish to call them — as the convenient justification.

However, whether the stated rationale for this surcharge is legitimate or not, this bill is also problematic for a very different reason, which is that it poses a threat to Hawaii's broader economy.

For example, a 2020 study commissioned by the Hawaii Tourism Authority found that STRs added \$6 billion to the state's economy and sustained 46,000 jobs.¹

The survey also found that "30% respondents reported that if there was not a home and vacation rental option during their recent stay in Hawaii, they would not have made the trip."²

The idea that a tax such as the one proposed in this bill will fall more heavily — or even exclusively — on tourists can be attractive, but a large body of research demonstrates that increasing taxes on tourists can affect both the competitiveness of Hawaii's tourism industry and the health of local businesses that depend upon tourist dollars.

A 2017 European Union study on the impact of taxation on tourism in Europe found that high tourism taxes, passed on to tourists through higher prices, affected the competitiveness of particular destinations.³ Coastal and leisure destinations in particular were most adversely affected by increases in tourism taxes, especially compared to locations that were more focused on business travelers.

In addition, occupancy taxes were singled out as inequitable and especially frustrating to tourists. The EU study recommended that countries that depend heavily on tourism should reduce their tourism taxes in order to increase competitiveness.

Even unique destinations are not immune from the effect of taxation on international arrivals. A study of the Maldives, a country that earns as much of 70% of its revenue from tourism taxes, found that a 10% increase in tourism taxes reduces demand by 5.4%.⁴

¹ ["Hawaii's Home and Vacation Rental Market: Impact and Outlook,"](#) prepared for the Hawaii Tourism Authority by JLL's Hotels & Hospitality Group, April 20, 2020, p. 4.

² [Ibid](#), p. 10.

³ PricewaterhouseCoopers LLP, ["The Impact of Taxes on the Competitiveness of European Tourism,"](#) European Commission, Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs, October 2017.

⁴ Festus Fatai Adedoyin, Neelu Seetaram and George Filis, ["The Effect of Tourism Taxation on International Arrivals to a Small, Tourism-Dependent Economy,"](#) Journal of Travel Research, Vol. 62, Iss. 1, pp. 135-153.

To put it plainly, increasing tourism taxes decreases the number of visitors. Moreover, policymakers cannot assume that tourism taxes will not have an additional effect on visitor spending. It is only common sense to assume that tourists will compensate for higher tourism taxes by adjusting their budgets and spending less on dining, activities or shopping.

This is borne out by a study of the effect of an air passenger duty on the budget allocations of United Kingdom tourists. The study found that tourists compensated for the higher taxes by decreasing destination expenditures on items such as accommodations and food.⁵

Thus, increasing tourism taxes will ultimately hurt Hawaii's restaurants, stores and hotels, as tourists decrease their expenditures to compensate for the state's higher taxes.

This is on top of the fact that Hawaii already has some of the world's highest tourism taxes,⁶ making any additional hike a threat to the continued health of the industry and the businesses that depend on it.

Tourism is such a critical part of the state's economy that even industries that are not directly linked to tourism are linked to businesses that are.

Adding a surcharge to the state's TAT as it applies to an unpopular segment of the transient accommodations sector might seem like a good idea superficially, but it would come with great risks to our economy as a whole.

For that reason, the Grassroot Institute recommends that this committee defer HB2778 SD1.

Thank you for the opportunity to testify.

Ted Kefalas
Director of Strategic Campaigns
Grassroot Institute of Hawaii

⁵ Haiyan Song, Neelu Seetaram and Sunh Ye, "[The effect of tourism taxation on tourists' budget allocation](#)," Journal of Destination Marketing and Management, March 2019, pp. 32-39.

⁶ Alison Fox, "[These Cities — Including 3 in the U.S. — Have the Most Expensive Tourist Taxes in the World, Study Shows](#)," Travel + Leisure, Aug. 12, 2022.

Citizens' Climate Lobby Hawaii
hi.ccl.lobby@gmail.com
cclhawaii.org



February 22, 2024

SUPPORT FOR HB2778 HD1 – Climate Health and Environmental Action Special Fund

Dear Chair Yamashita, Vice Chair Kitigawa, and Members of the Finance Committee:

Citizens' Climate Lobby (CCL) Hawaii supports HB2778 HD1, which “[e]stablishes a surcharge on the transient accommodations tax for transient vacation rental located outside a zoned resort area.” **We recommend that a significant portion of the revenues collected from this surcharge be dedicated to implement environmental solutions for State and community programs working to restore our natural and cultural resources across the State.**

CCL Hawaii comprises over 1000 members across Hawaii. We advocate for effective, efficient, and fair climate legislation. We support **HB2778 HD1** because if the revenues from the surcharge were dedicated to restoring the State’s natural resources it would help the State address its need to adapt to climate change. Listening to any talk by Dr. Chip Fletcher, one quickly realizes Hawai’i has great financial needs to address and adapt to the current and impending changes brought on by global warming – from sea level rise to the impacts of changing weather conditions on our reefs, flora, and fauna. This bill would help provide some of the necessary funding to lessen these impending impacts.

Protecting our natural resources makes financial sense as it will

- help ensure a clean water supply for our Islands, which also will save our water utilities millions of dollars and reduce costs to ratepayers;
- increase the value of a Hawai’i vacation;
- aid our fishing industry; and
- bolster and maintain our reefs thus protecting our beaches and shoreline infrastructure.

Therefore, if passed, we ask that a portion of the increased revenue be dedicated to implement environmental solutions for State and community programs working to restore our natural and cultural resources across the State, **as these solutions and programs are our best shot at avoiding future disasters and their subsequent costs.**

Thank you for this opportunity to testify. **Please pass HB2778 HD1 out of your committee.**

Respectfully,
Citizens' Climate Lobby Hawai'i

HB-2778-HD-1

Submitted on: 2/22/2024 8:30:23 AM

Testimony for FIN on 2/23/2024 11:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Helen Cox	Kauai Climate Action Coalition	Support	Written Testimony Only

Comments:

Aloha Members of the Finance Committee:

Kauai Climate Action Coalition, a group of over 150 Kauai residents, supports HB2778 HD1, which “[e]stablishes a surcharge on the transient accommodations tax for transient vacation rental located outside a zoned resort area.” We recommend that a sizable portion of the revenues collected from this surcharge be dedicated to implementing environmental solutions for State and community programs working to restore our natural and cultural resources across the State.

Kauai Climate Action Coalition members engage in education, direct action, and advocating for legislation that effectively addresses the climate crisis we face. We support HB2778 HD1 because if the revenues from the surcharge were dedicated to restoring the State’s natural resources it would help the State address its need to adapt to climate change.

Protecting our natural resources makes financial sense as it will:

- help ensure a clean water supply for our Islands, which also will save our water utilities millions of dollars and reduce costs to ratepayers;
- increase the value of a Hawai’i vacation;
- aid our fishing industry; and
- bolster and maintain our reefs thus protecting our beaches and shoreline infrastructure.

If passed, we ask that a portion of the increased revenue be dedicated to implementing environmental solutions for State and community programs working to restore our natural and cultural resources across the State. These programs will help prevent future disasters and their subsequent costs.

Please support HB2667 HD1.

Mahalo,

Kaua`i Climate Action Coalition



February 23, 2024

House Committee on Finance
Chair Representative Kyle Yamashita
Vice Chair Lisa Kitagawa
Members of the Committee
Via Electronic Transmission

Re: The Imperative of Allocating Adequate Funding to Protect Natural Resources
Support HB 2778 HD1, Relating to Taxation

Aloha!

Thank you for the opportunity to support HB 2778 HD1, Relating to Taxation. Taking care of our 'āina and making funding available for preventive measures to protect, restore and nurture our land and ocean is the best insurance policy against wildfires, floods, and other disasters.

We all saw the devastating effects of the wildfires on Maui last August. No one wants another wildfire, flood or any other disaster in our islands. Insurance helps us in the aftermath of a disaster. The Care for 'Āina Now coalition believes it is equally as important for our state to have funds dedicated to protecting and restoring our natural resources to prevent or mitigate the effects of climate events. This proactive, preventive approach to stewardship of our islands requires an investment in our 'āina.

The Maui wildfires have now amplified to every resident, and indeed the world, that no region in the world is immune to the impact of this climate crisis. We are a coalition of individuals and organizations committed to supporting better management of the state's natural resources. We estimate that an additional \$360 million annually is needed to close the current budget shortfall in protecting our islands against climate threats and the impacts of tourism. At its most basic level, this funding is necessary for wildfire prevention strategies.

Natural resources are the lifeblood of our pae 'āina, providing us with the essentials for survival and the foundation for Hawai'i's economy, our very society. These resources include clean air and water, fertile soil, living coral reefs, stable coastlines and beaches, biodiversity and healthy forests. We commend the legislature, cognizant of the local and global threats to these riches, for declaring Hawai'i to be the first state in the nation to declare a climate emergency. Protecting and restoring these resources is a moral, economic, and ecological imperative.

Based on the foregoing, we support this bill and strongly advocate for dedicating a significant portion of the revenue generated to funding for DLNR so that Hawai'i can:

- Remove flammable nonnative plants and restore sites with less flammable native plants.
- Restore coral reefs to help protect our beaches and coastal communities from sea level rise and storm surges, while also protecting the fisheries that draw tourists and sustain local residents.
- Restore watershed forests that protect our water quality and supplies, in addition to reducing the risks of fire.
- Provide grants to local communities to assist them in managing and restoring natural resources, including reducing their fire risks.

Preventing damage to natural resources is often more cost-effective than trying to restore them once they have been degraded. For example, restoring a polluted stream can be far more expensive than preventing pollution in the first place. Wildfire prevention can be significantly more cost-effective than paying for the cost of responding to wildfires and restoring damaged communities and natural resources. Legislators who allocate funding for protection and restoration are, in essence, making a sound long-term investment in their constituents, well-being, and the environment.

We have a moral responsibility to protect the natural resources that sustain life on our islands. Future generations depend on the decisions we make today. Legislators have a unique role in shaping policies that reflect our ethical obligation to safeguard the environment for all living beings.

In conclusion, there are numerous compelling reasons why legislators should approve funding to protect, restore, and manage Hawai'i's magnificent and irreplaceable natural resources. Disaster resilience, climate change mitigation, clean water and air, sustainable agriculture, economic benefits, public health, long-term cost savings, biodiversity conservation, and ethical responsibility all underscore the importance of such investments. By allocating the necessary funds, legislators can secure a brighter and more sustainable future for all. It is a responsibility that cannot be ignored, and the benefits far outweigh the costs.

We look forward to working with you to ensure that our natural resources are at the forefront of policy-leaders' minds and that the state budget reflects these priorities.

Mahalo,

Care for 'Āina Now Coalition

Website: careforainanow.org

Contact: aloha@careforainanow.org



2/23/2024

FIN Committee
Hawai'i State Capitol
Honolulu, Hawai'i 96813

Dear Chair Yamashita, Vice Chair Kitagawa, and Honorable Members of the Committee,

Position: Support HB2778 HD1

The Surfrider Foundation is a national nonprofit organization dedicated to the protection and enjoyment of our ocean, waves, and beaches. Surfrider maintains a network of over 150 chapters and academic clubs nationwide, including 4 chapters in the Hawaiian Islands. The Surfrider Foundation focuses on many aspects of the environment such as coastal protection, plastic pollution, and water quality.

The Surfrider Foundation, Hawai'i region, is testifying in **strong support of HB2778 HD1**, which would establish a surcharge on the transient accommodations tax (TAT) for transient vacation rental located outside a zoned resort area.

Our beaches, parks, reefs, forests, hiking trails, and other natural resources are paramount to sustaining our way of life and, similarly, our economic engine. These resources are intertwined with our visitor sector, as the tourism economy depends on Hawai'i's iconic natural resources. However, our home is facing escalating visitor impacts, climate change, and localized threats to our ecosystems. As of 2023, Hawai'i only invests \$9 per tourist back in the environment, and less than 1% of the state budget goes towards conservation. We currently face an estimated conservation funding gap of \$360 million per year.

HB2778 HD1 would establish an innovative funding stream to support the critical conservation efforts needed to maintain Hawai'i as a healthy, sustainable region for future generations to enjoy, as well as a visitor destination. A transformational investment in Hawai'i's natural resources through a visitor green fee program provides a pathway to build environmental and economic resilience for our local communities and our visitor industry. **We support this measure along with HB2081 HD1 and HB2406 HD1, which together would increase funding potential from visitors to go towards our local needs and 'āina.**

For the past few years, the Surfrider Foundation has been actively involved in Hawai'i's green fee efforts. This is the opportunity to build on the success of the natural resources allocation of the Honolulu TAT passing in 2021 and strong momentum from green fee bills in years past (notably SB304 in 2023 to establish a green fee which garnered an astounding amount of community support and made it to the final stages of conference committees). Thank you for your consideration of this testimony in support of HB2778 HD1, submitted on the behalf of the Surfrider Foundation's 4 Chapters in Hawai'i and all of our members who live in the state and visit to enjoy the many coastal recreational opportunities offered by all of the islands' coastlines.

Sincerely,

Camile Cleveland
Volunteer Policy Coordinator
Surfrider Foundation, O'ahu Chapter



Testimony Before The
House Committee on Finance (FIN)
IN SUPPORT OF HB2778 HD1
February 23, 2024, 11:30 a.m., Room 308 & Zoom

We are Olan Leimomi Fisher and Kevin Chang, Kua'āina Advocate and Executive Director, respectively, testifying on behalf of [Kua'āina Ulu 'Auamo \(or KUA\)](#). "Kua'āina Ulu 'Auamo" stands for "grassroots growing through shared responsibility," and our acronym "KUA" means "backbone." **Our mission is to connect and empower communities to improve their quality of life through the collective care for their biocultural (natural and cultural) heritage, serving as a "backbone organization" that supports creative, community-driven solutions to problems stemming from environmental degradation.** Hawai'i's biocultural resources continue to be negatively impacted by political, economic, and social changes, and the increasing dangers of climate change make fostering and empowering resilient communities acutely critical.

Currently KUA supports three major networks of: (1) almost 40 mālama 'āina (caring for our 'āina or "that which feeds") community groups collectively referred to as E Alu Pū (moving forward together); (2) over 60 loko i'a (fishpond aquaculture systems unique to Hawai'i) and wai 'ōpae (anchialine pool systems) sites in varying stages of restoration and development, with numerous caretakers, stakeholders, and volunteers known as the Hui Mālama Loko I'a ("caretakers of fishponds"); and (3) the Limu Hui made up of over 50 loea (traditional experts) and practitioners in all things "limu" or locally-grown "seaweed." **Our shared vision is to once again experience what our kūpuna (ancestors) referred to as 'ĀINA MOMONA – abundant and healthy ecological systems that sustain our community resilience and well-being.**

KUA supports HB2778 HD1 as an incremental step towards 'āina momona.

This bill would establish a surcharge on the transient accommodations tax for transient vacation rentals located outside the zoned resort areas.

A recent survey on public support for the care of our biocultural resources found that 95% of Hawai'i voters believe that it is our kuleana to care for the ocean for future generations, and 82% support giving local communities a clear role in managing marine areas. Furthermore, 89% of those surveyed agree that we must increase our investment in our precious land, water, and animals, including our biocultural resources. We believe HB2778 HD1 is a critical step to ensuring visitors are paying their fair share for the places they use, and the experiences and resources they enjoy during their time in our home.

This bill also uplifts and highlights the significant contributions of Hawai'i residents, especially those in rural and Native Hawaiian communities, beyond paying taxes for environmental care. Native Hawaiian cultural values and stewardship practices already hold many of the solutions to prevent and mitigate the climate crisis. Engaging our local communities in direct environmental management and governance, often in collaboration with our

underfunded DLNR, is key to overcoming the many challenges of climate change. As such, **if this measure is passed, we strongly urge that a dedicated portion of funding specifically support and empower community-based individuals and groups as essential partners with governmental agencies in restoring, protecting, and caring for our shared biocultural resources.**

A primary function of KUA includes support for the development of an ‘auwai, or a system of resources, tools, bridges, relationships, and networks that cultivate and elevate our communities’ efforts to greater levels of collective impact in the care of our biocultural resources. A core catalyst for the flow in this ‘auwai includes increasing the percentage of our economy, both public and private, which helps manage and regenerate the condition of the ‘āina that sustains us. Understanding the growth in the environmental sector has become increasingly important for KUA, which is why we worked in partnership with the University of Hawai‘i Economic Research Organization and a number of other partners (DLNR, Kupu, TNC, KS, OHA, etc.), in tracking natural resource workforce development as a key part of a “Green Economy.”

Our young people today are calling for a rebalanced approach to living on our isolated and fragile island ecosystems that have for decades been subjected to an overly extractive economic approach to life – largely through tourism. They want our government to rebalance this overuse and exploitation with better, thoughtful care for our ‘āina that feeds us. They want an island culture that no longer takes for granted the environmental subsidies that allow us to thrive. Indeed, island communities that draw tourists from around the world are the canaries in the coal mine for being overrun with travelers and impacts by global climate change. Similar to other island communities taking critical steps to support their biocultural resources like in the Galapagos, New Zealand, and Palau that have already developed green fee programs. Hawai‘i must join this effort and be on the right side of history.

Looking to the future, our communities are raising the kupa‘āina who want jobs focused on mālama ‘āina. Young people want to be able to stay home, care for their home, and raise their keiki in the same place they have loved and cared for their whole lives. Particularly in the conservation sector, more young people are calling for opportunities with livable wages. The abundance of applications that recently inundated and exceeded the capacity of the DOCARE Academy enrollment portal is a strong indicator. **We appreciate the necessary, creative, and collaborative approaches our state supports that build the capacity and skills of the next generation with intention, and in a way that benefits ongoing community efforts to support ecosystem regeneration.**

The communities we work with are committed to ensuring the long-term health of our biocultural resources. They have depended on them for generations. **We believe our environment, the foundation of our very existence, is about long-term investment and a vision of ‘āina momona.** To get there it requires, among other things, taking the steps toward greater self-sufficiency including development of innovative and sustainable career pathways, mindsets, relationships, and resource flows for mālama ‘āina. Passing this bill out of your committee will open an essential ‘auwai system toward reaching this vision.

Mahalo nui loa for considering our testimony. Please **PASS** HB2778 HD1.

Aloha ‘Āina Momona no nā kau ā kau.



2/22/24

Honorable Chair Kyle T. Yamashita and Members
Committee on Finance
415 South Beretania Street
Honolulu HI 96813

RE: HB-2778 Oppose

Aloha e Committee,

Thank you for taking the time to review this bill and take testimony.

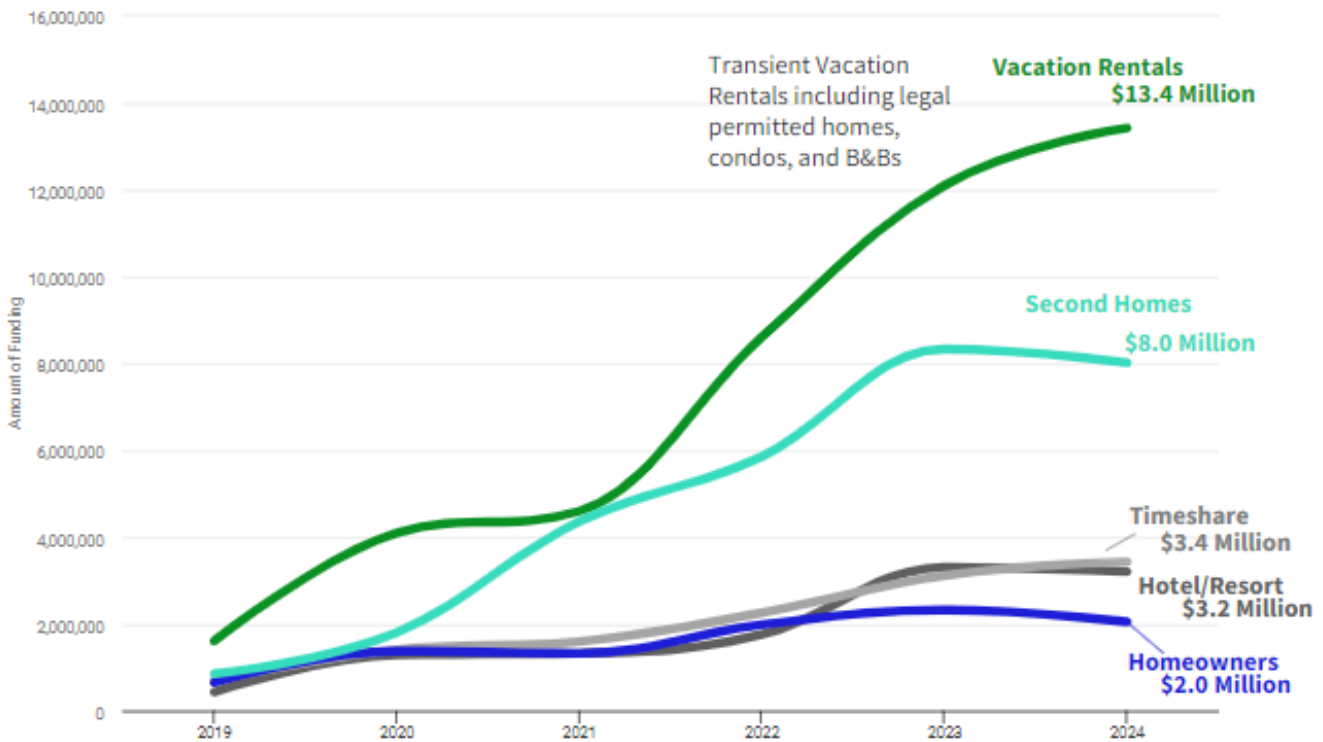
We believe in a managed hospitality industry for Maui. We also support fair taxation of vacation rental properties. However we see issues with HB2778 hurting legally operating small business operators in Maui County.

Maui has 13,744 legal short term rental properties, 8,336 hotel rooms, and 2,475 timeshare units in our diversified visitor accommodation industry. Each provides the potential Maui visitor different options. The clear differentiation regarding the legal short term rental properties is that thousands of them are owned by Maui County families. This is one of the only ways local families can directly participate in and benefit from the hospitality industry.

Short term rentals will contribute \$13.4 Million in revenue to the Affordable Housing Fund, the largest contribution of all the classifications, and the largest contribution to date. Over the last 5 years the **short term rental classification has generated \$45 million dollars for the affordable housing fund**, the largest contribution by far, and more than the other accommodation sectors combined.

Who Pays for Maui's Affordable Housing Fund?

FY2019-2024
Review



Vacation Rentals have contributed a total of \$45.0 million from 2019-2024

Second Homes have contributed a total of \$29.6 million from 2019-2024

Timeshares have contributed a total of \$12.6 million from 2019-2024

Homeowners have contributed a total of \$9.8 million from 2019-2024

Hotel/Resorts have contributed a total of \$11.6 million from 2019-2024

Source: Maui County Real Property Tax

Many owners voluntarily offered their properties to those in immediate need at the outset of the emergency out of the kindness of their hearts without any thought or ask to any form of compensation. Additionally, there are thousands of individual owners who voluntarily on their own or in conjunction with their local management companies who have facilitated housing through Red Cross, FEMA, and/or other entities.



This bill targets these local families with an increase in their taxes and is punitive. Where is the data that shows those impacts? How is it that a legally operating bed and breakfast, or short term rental home, or a 28 room condo should be taxed more than other operators in this very same transient accommodation sector?

At the very least, the State should not be favoring large international corporations in the transient accommodations industry while targeting the Hawai'i's legal small businesses in the accommodations industry. We need to support small businesses; their revenues support other small local businesses and these monies stay in the state. These small businesses employ thousands of people across Maui County. We cannot support a bill that could potentially shut down legal operators with unfair taxation schemes that favor large outside corporate entities operating in this state. Please vote no HB2778.

Many of the condo buildings operating on Maui were built in the 1970's and 1980's and have large monthly maintenance costs. Have you considered what the impacts could be for these kinds of properties where they may not be able to just pass the tax off to the visitors. If the property owners cannot continue to fund the high maintenance costs of these buildings there could be unintended consequences for the State in this bill.

When it comes to legislation that could affect the livelihood of thousands of its constituents (actual voters), the State should be considering factual and data driven based decisions. At the very least, the State should be supporting this legally operating small business sector that offers such a vibrant and diverse ecosystem for our visitors, while our county and state are already leveraging significant taxes on these businesses to benefit our local economy. The legal short term vacation rentals already generate the largest amount of tax revenue for Maui County than any other category by a very large margin.

Maui County's operating budget has increased to over 1 Billion dollars in its current fiscal year. Most of the county's revenue comes from the short term rental classification, and the small businesses creating this revenue. The county of Maui has long had a strategy of taxing the Short Term Rental Classification in order to keep taxes low for the residents. A big part of this strategy is by means of the property assessment values that the County assessment division attributes to these properties. Looking at the top 30 real property tax revenue generating legal visitor accommodations in Maui county, you can see that the assessment of many short term rentals result in a higher rate and tax revenue than many of our hotel properties.

M A U I
VACATION RENTAL
 A S S O C I A T I O N

When looking at average tax revenue generated on a per Unit basis, the top 13 properties are all legal vacation rental properties. The top Hotel, the Kea Lani falls behind all of these at number 14 on this same list.

TOP REVENUE GENERATING SHORT TERM RENTAL AND HOTEL PROPERTY, MAUI COUNTY 2023

	PROJECT PROPERTY	TOTAL ASSESSED VALUE	AVE. PROPERTY TAX REVENUE	AVE. ASSESSMENT PER UNIT	AVE. TAX REVENUE PER UNIT	
1	WAILEA BEACH VILLAS	474,547,900	5,623,393	4,943,207	58,577	Largest Ave/Unit
2	KAPALUA BAY CONDO	487,731,400	5,779,617	4,601,240	54,525	
3	WAILEA POINT I, II, III	360,302,000	4,269,579	3,498,078	41,452	
4	HOOLEI	398,574,400	4,723,107	3,267,003	38,714	
5	KAANAPALI ALII	657,716,900	7,793,945	2,391,698	28,342	
6	WAILEA ELUA I, II	354,432,200	4,200,022	2,286,659	27,097	
7	HONUA KAI	1,179,135,500	13,972,756	1,602,086	18,985	Largest by Total Rev.
8	PUAMANA	296,446,000	3,512,885	1,585,273	18,785	
9	KAPALUA BAY VILLAS	175,535,500	2,080,096	1,244,933	14,752	
10	WAILEA EKAHI I, II, III	245,631,400	2,910,732	1,175,270	13,927	
11	MAUI KAMAOLE I, II, III	226,794,000	2,687,509	944,975	11,198	
12	PALMS AT WAILEA I	139,192,700	1,649,433	927,951	10,996	
13	WAILEA EKOLU	135,207,100	1,602,204	913,561	10,826	
14	KEA LANI	410,022,500	4,817,764	911,161	10,706	Largest ave/unit hotel
15	THE RIDGE	139,597,000	1,654,224	867,062	10,275	
16	MANELE BAY HOTEL	195,762,900	2,300,214	829,504	9,747	
17	GRAND WAILEA	621,756,100	7,305,634	797,123	9,366	Largest Hotel by

M A U I
VACATION RENTAL
 A S S O C I A T I O N

						Total rev
18	KAPALUA GOLF VILLAS	146,211,800	1,732,610	786,085	9,315	
19	FOUR SEASONS	297,937,400	3,500,764	784,046	9,213	
20	GRAND CHAMP VILLAS	142,419,600	1,687,672	757,551	8,977	
21	PAPAKEA	238,776,500	2,829,502	655,979	7,773	
22	KAMAOLE SANDS	278,724,700	3,302,888	633,465	7,507	
23	ANDAZ	205,360,300	2,412,984	635,790	7,471	
24	HALE KAA NAPALI	161,065,400	1,908,625	624,284	7,398	
25	SHERATON	296,801,600	3,487,419	584,255	6,865	
26	ROYAL LAHAINA	254,303,200	2,988,063	580,601	6,822	
27	HYATT	386,224,700	4,538,140	479,187	5,630	
28	WAILEA BEACH MARRIOTT	238,336,000	2,800,448	438,118	5,148	
29	WESTIN MAUI	292,717,300	3,439,428	385,662	4,532	
30	RITZ CARLTON	163,362,000	1,919,504	350,562	4,119	
	Source: Maui County Real Prop Tax	Legend:		=STR		=Hotel

One of the tools used by the assessment division is the fact that the short term rental properties are sold more frequently on the **real estate** market and then these **sales** are factored into the taxable value of the properties. Thus the assessed values in the short term rental class are some of the top real property tax valued properties on the island, generating most of the tax revenue for the county.

Maui County has added the 3% TAT tax for the county as of November 2021 and these operators and visitors have fostered this increase generating millions of dollars for Maui county.

At the very least, the State should be making data driven decisions. Where is the study that shows how much revenue these properties raise in TAT for the State? **How many jobs and taxes would be potentially lost with a measure like this?**

Maui County has had laws and regulations in place that closely regulate our short term rentals, and there is strict enforcement of these rules, keeping the illegal rentals numbers very low. In the January



2023 report, there were 25 complaints which resulted in three notices of warnings and zero notices of violations. The vacation rental industry is highly regulated and enforced in Maui County. The community leverages the existing legal operations for benefits to the community as whole.

Our visitor industry benefits from the diversity vacation rentals offer. Having a short term rental is one of the only ways local residents can have direct participation in the hospitality and accommodations sector. There are thousands of small businesses in Maui that benefit from this legal established use in the county. The properties in this district accommodating our visitors are an important legitimate part of our hospitality industry. The guests that seek out these experiences and want more local authentic culture are the educated guests Maui wants.

The county increased their budget this year by \$102M, and 52% of that increase or \$53M came from increased revenue in the TVR/STR category. The next highest increase was \$7.5M in the Hotel/Resort classification (7 times less than the STR increase).

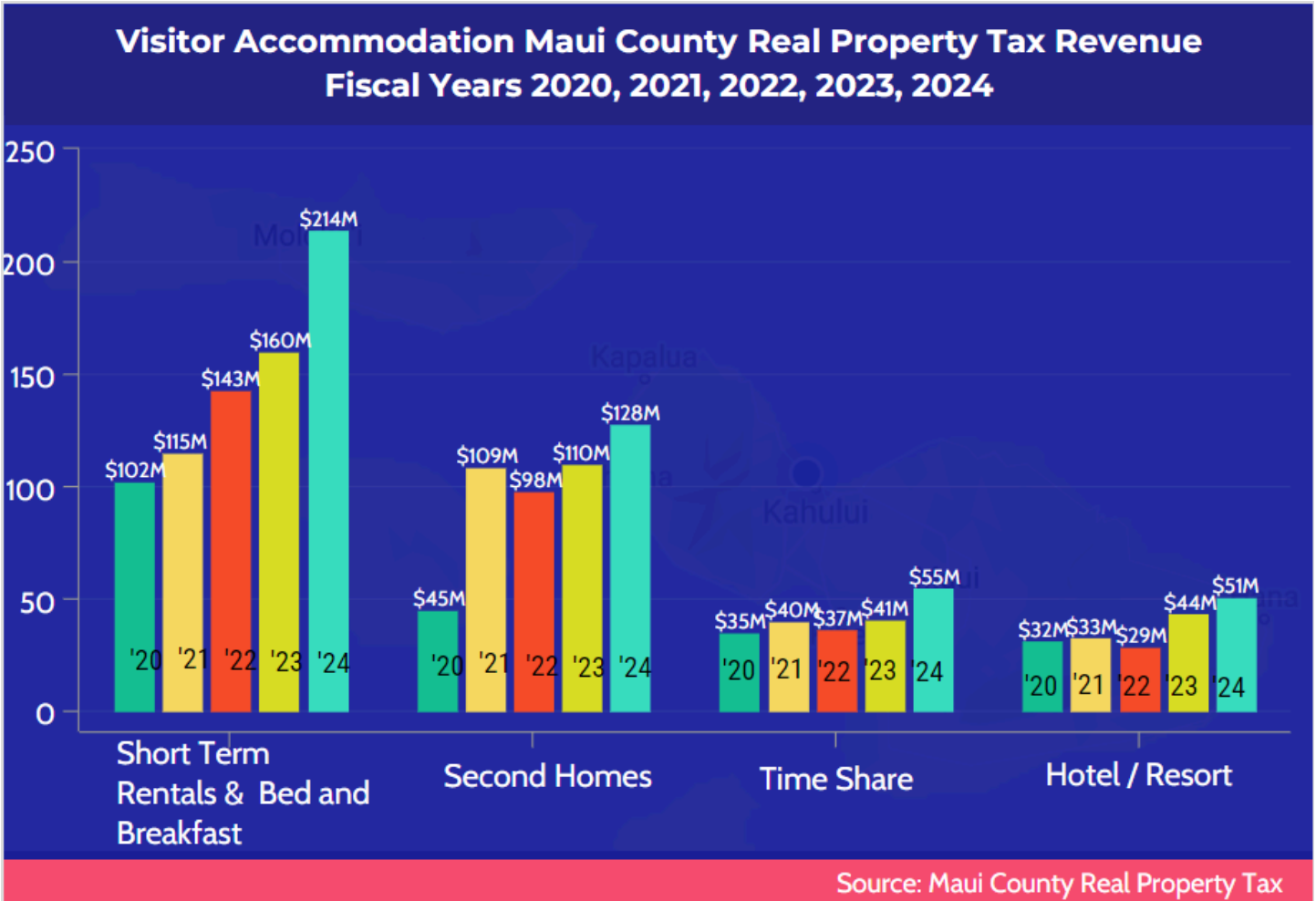
The short term rental classification generated 40% of real property tax revenue this fiscal year (FY23-24), or \$213.7M. This amount represents 20% of the county operating budget. This is the largest single revenue generating category in the real property tax classifications. **What this demonstrates is that the county depends on the tax revenues of properties like the ones operating in the districts that would be affected by this measure.**

The legal short term rentals in Maui County are a significant and beneficial part of our hospitality industry, and have been for many years. It does not make sense for the State to create laws that would shut down legal operating small businesses without doing plenty of research first.

Given the current budget, gutting funding categories for the State and Counties county is contrary to their fiduciary duty. Creating punitive taxation schemes that harm small businesses is problematic and should not be the way our State makes changes. Please vote no on this bill HB2778.

Thank you for considering my testimony. If you have any questions or clarifications please feel free to contact me.

Best,



HB-2778-HD-1

Submitted on: 2/22/2024 11:12:23 AM

Testimony for FIN on 2/23/2024 11:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Michael Russell	Howzit Hostels	Oppose	Written Testimony Only

Comments:

I vehemently oppose HB2778. The proposed bill will assess a surcharge on any transient accommodation not located in a resort zone. I am the co-owner of a hostel in Wailuku, Maui that has been in business for nearly 50 years. As defined by the County of Maui ordinance, our property is a 'short term rental' and therefore would be subject to a minimum of \$25/day fee. This is approximately 50% of the cost of our nightly rate and will effectively destroy our business, along with all of the people we employ. HB 2778 does not consider the thousands of small business owners/operators of transient vacation lodging. On behalf of myself, my family, and all of our employees, I implore the legislators of Hawaii to not pass this bill.



TESTIMONY ON HB 2778, RELATED TO TAXATION

February 22, 2024

TO: Chair Kyle Yamashita
Members of the House Committee on Finance

FR: Alex April
Airbnb Public Policy, Hawai'i

RE: HB 2778 RELATED TO TAXATION

Mahalo for the opportunity to comment on HB 2778, related to taxation.

As written, HB 2778 would impose an exorbitant new tax, targeting local residents who occasionally share their home to earn extra money while hurting communities and small businesses that rely on tourism.

The proposed additional tax gives corporate hotel chains a competitive advantage against Hawai'i residents who rely on home sharing to supplement their income and already pay accommodation occupancy taxes. Hosts in Hawaii are regular people – almost 60% are women and more than 30% are over the age of 60. The vast majority of Hosts in Hawai'i – approximately 70% – share just one home, and the typical Host occasionally shares their home – approximately 60 nights per year. Hosts in Hawaii also rely on sharing their home to earn supplemental income or stay in their home. In 2022, half of Hosts reported the income from hosting helped them afford their home and 17% of Hosts said that the money they earned on Airbnb has helped them avoid eviction or foreclosure.

In addition, this new tax would be counterproductive to the goal of raising further revenue for the state's important priorities. Short-term rentals (STR) play a critical role in supporting small businesses that rely on tourism and the state's economy. Adding to Hosts' tax burden risks deterring Hosts from operating STRs at all, which would lead to a net reduction in the tax revenue earned from this economically significant activity, not to mention the related loss to revenue from tourism and related services.

Our priority has always been to work with lawmakers across the state on rules that simultaneously address community concerns and protect the economic benefits of home sharing. We look forward to the continued dialogue on other policies that preserve the significant benefits of home sharing and protect Hawai'i residents who share their home to supplement their income and bolster their local economies.

Mahalo for the consideration of our comments.



House Committee on Finance
Friday, February 23, 2024
Testimony in Support of H.B. 2778, Relating to Taxation

Aloha Chair Yamashita, Vice Chair Kitagawa, and Honorable Members of the House Committee on Finance,

Mahalo for the opportunity to testify in **support** of **H.B. 2778, Relating to Taxation**, while suggesting **an amendment**. If enacted, this bill would establish a surcharge on the transient accommodations tax for transient vacation rentals located outside of a zoned resort area, which could be used to mitigate adverse impacts caused by such transient accommodations. While not expressly mentioned in the HD1 of the bill, Kupu supports this legislation on the grounds that the funding from this measure could help our state reverse years of under-management of natural and cultural resources whose causes include, but are not limited to, transient accommodations. For that reason, we urge the committee to consider expanding on the definition of “mitigation” described in the HD1, and specify that it could fund wildfire prevention and other natural resource management.

Kupu was founded in Hawai‘i in 2007. From humble beginnings Kupu has grown into Hawai‘i’s largest youth-focused conservation nonprofit with a growing presence in green job training broadly. Today Kupu manages over a dozen programs, which provide youth and young adults with opportunities to learn, serve, and work in ways that restore our environment and uplift their potential. Kupu and its participants have done substantial mālama ‘āina (care and protection of land and waters) in Hawai‘i, including the removal of over 151,000 acres of invasive species, planting of over 1.6 million native plants, and training and employment provided to over 5,600 young adults.

From more than 15 years of hands on work with hundreds of partners and thousands of youth, we have seen that when there is funding and opportunity, kama'āina, especially youth, are eager to care for the environment, and excited about career paths that allow them to give back to the land that sustains us. While there is good work being done across the islands, we see that the amount of conservation work being done today is simply not enough to keep our islands safe from wildfire, or to sustain the beauty, environmental health, and quality of life upon which our entire economy relies.

We urge the committee to pass H.B. 2778, as well as other mechanisms that could provide the funding needed to prevent future wildfires and otherwise begin to reverse years of natural resource under-management. These include H.B. 2081 and H.B. 2406, for which we have also submitted testimony in support. Passing all of these measures provides the legislature with maximum options as you determine, in your wisdom, which funding mechanism or mechanisms are most appropriate at this time.

Mahalo hou, thank you again, for the opportunity to testify in **support** of **H.B. 2778**, while suggesting **an amendment**.

Mālama Pono,

Kāwika Riley

Kāwika Riley, PhD

Vice President, Kupu



**Coalition Letter in Support of Funding for Natural Resource Stewardship & Restoration
Coalition for Care for ‘Āina Now**

Testimony in Support of HB2081, HB2406, and HB2778
House Committee on Finance | Friday February 23, 2024 at 11:30am

Aloha e Chair Yamashita, Vice Chair Kitagawa, and Members of the House Finance Committee,

Our coalition of organizations and small businesses listed below are writing in **strong support of HB2081, HB2406, and HB2778 to generate funding for natural resource protection and restoration.** Previously known as the Hawai‘i Green Fee Coalition, the **Care for ‘Āina Now Coalition** is on a mission to enhance visitor stewardship, conserve our cultural and natural resources, and invest in our ‘āina to keep our community safe.

The health of Hawai‘i’s environment is inextricably linked to the health of our people, communities, and future generations. Our natural and cultural resources provide over \$6 billion in value to our economy each year, yet have been chronically neglected and stewardship of these resources have been underfunded for decades. It’s been estimated that we currently face a conservation funding gap of \$360 million/year. Today, this underinvestment continues to be a liability and risk to public safety. The more time that passes without healing our environment, the more lives, places, and communities are at risk of being harmed.

Our primary focus is adequate, permanent funding for the Department of Land and Natural Resources to support stewardship and restoration of our natural resources. There are simple ways our State can safeguard our ‘āina and people this year, including passing legislation that ensures visitor taxes go back to our environment through the TAT, and allocating funds for wildfire prevention and ecosystem resilience. These will help Hawai‘i chart a new course that can sustain us.

This coalition, which works on the frontlines of natural and cultural resource management across the State, applauds the legislature for continuing to consider these solutions. We urge you to consider the crucial need for sustainable, broad-based investment to meet the immense challenges our environment faces, offset the impact left by nearly 10 million annual visitors, and invest in the long-term health of our communities. Hawai‘i’s natural resources are invaluable to the livelihoods of our local residents and integral drivers of our statewide economy as well as our visitor industry.



travel2change

Poll results from January 2023 reveal 89% of voters believe we must increase investment in our land, water, wildlife, and natural resources. The following priorities will help our State offset visitor impact: supporting broad funding of our natural and cultural resources, uplifting community groups to implement solutions to offset visitor impacts, and increasing the health and resilience of places frequented by residents and visitors.

These 48 organizations and businesses support taking care of our environment so that Hawai'i can continue to nourish and care for us and future generations

1. Agripelago
2. Blue Planet Foundation
3. Care About Climate
4. Conservation International
5. Delphi Cinema
6. Excurinsure
7. Fish Pono—Save Our Reefs
8. Friends of Hanauma Bay
9. Full Circle Farm
10. FutureSwell
11. Good Food Movement
12. Hawai'i Alliance for Community-Based Economic Development (HACBED)
13. Hawai'i Alliance for Progressive Action (HAPA)
14. Hawai'i Impact Collaborative
15. Hawai'i Land Trust
16. Hawai'i Reef and Ocean Coalition
17. Hawai'i Wildlife Fund
18. Hawai'i Youth Climate Coalition
19. Kailua Beach Adventures
20. Kanu Hawai'i
21. Kingdom Pathways
22. Kua'āina Ulu 'Auamo (KUA)
23. Kuleana Coral Restoration
24. Kupu



25. Leftover Love Co
26. Mālama Learning Center
27. Mālama Maunalua
28. Mālama Pupukea-Waimea
29. National Tropical Botanical Garden
30. Native Ecosystem Services
31. The Nature Conservancy
32. North Shore Community Land Trust
33. Papahānaumokuākea Marine Debris Project
34. Parley for the Oceans
35. Pono Hawai'i Initiative
36. Protea Zero Waste Store
37. Resources Legacy Fund
38. Reuse Hawai'i
39. Surfrider Foundation Hawai'i Chapters
40. Sustainable Coastlines Hawai'i
41. Travel2Change
42. Trust for Public Land
43. Wakeful State
44. Wastewater Alternatives & Innovations (WAI)
45. Wild Kids
46. Young Progressives Demanding Action
47. Zero Waste O'ahu
48. Zero Waste Hawai'i Island

Mahalo for your consideration to protect Hawai'i's natural resources.

Mahalo,
 Doorae Shin
 Coalition for Care for 'Āina Now

HB-2778-HD-1

Submitted on: 2/22/2024 11:28:43 AM

Testimony for FIN on 2/23/2024 11:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Nathan St Cyr	Howzit Hostels LLC	Oppose	Remotely Via Zoom

Comments:

This bill will instantly end our business and lead to the end of employment of our entire company. This will take away 100% of my family's income. If this bill is passed it will have catastrophic consequences. Please see our comments below.

HB 2778 HD1 Testimony

I vehemently oppose HB2778. The proposed bill will assess a surcharge on any transient accommodation not located in a resort zone. I am the co-owner of a hostel in Wailuku, Maui that has been in business for nearly 50 years. As defined by the County of Maui ordinance, our property is a 'short term rental' and therefore would be subject to a minimum of \$25/day fee. This is approximately 50% of the cost of our nightly rate and will effectively destroy our business, along with all of people we employ. HB 2778 does not consider the thousands of small business owners/operators of transient vacation lodging that are not defined as hotels. It is absolutely abhorrent that the State would even consider such a poorly thought out bill. On behalf of myself, my family, and all of our employees, I implore the legislators of Hawaii to not pass this bill.



HB2778 HD1

Aloha Chair Yamashita, Vice Chair Kitagawa, and Honorable Members of the Committee,

On behalf of our thousands of supporters, we kindly ask you to **support HB2778 HD1.**

Increased investment in the management of the islands' natural and cultural resources is crucial. With severe weather events, coral bleaching, and erosion already impacting Hawai'i and predicted to become worse due to the climate crisis, we need stronger safeguards to ensure we are prepared to face these challenges.

If passed, we also ask that a portion of the increased revenue be allocated towards implementing environmental solutions for State and community programs working to restore our natural and cultural resources across the State. These solutions and programs are our best shot at avoiding future disasters and their subsequent costs.

Natalie Parra
Co-Founder at Keiko Conservation
Campaign Director at Oceanic Preservation Society

HB-2778-HD-1

Submitted on: 2/21/2024 10:33:58 AM

Testimony for FIN on 2/23/2024 11:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Kristina Anderson	Individual	Oppose	Written Testimony Only

Comments:

Honorable House Members & Jeanne Kapela, representing my District 5:

Please vote no on this heinous, wildly punitive legislation.

I'm a single mom in South Kona renting a room in my principal residence on Airbnb. I only rent to couples or singles. 99 percent of whom are quiet visitors interested in sightseeing and in staying outside resort zones. It's helped me pay the mortgage and expenses of raising twins on my own. It's also helped my crawl out of foreclosure and get current on my mortgage when nothing else would.

I am fully compliant with state and local taxes. We presently collect 17.96% excise and TAT from guests. Adding \$25 per day in addition to that will push our taxes toward 40 percent! (Guests will just laugh and book Mexico. I would!)This is ludicrous beyond belief and is inherently designed to simply shut us down. It's also unclear if the bill means to add this \$25 per day whether you are booked or not. In South Kona, we are very seasonal. I can go months in the summer without a single booking. So if the bill means to tax us daily, that is \$9125.00 in additional taxes per year! We already do not get to keep our property tax homeowner rate if we rent short term, which has caused my taxes to quintuple this year. In addition, we are being subject to heavy handed county regulation on hosted rentals coming soon which would add at least \$1000 to the "registration" process, and is actually another a poison pill. "Here, take it, we'll let you, but it's too bad it will also kill you."

I will never convert to long term rentals, sorry. My studio isn't appropriate for long term rentals because it's too small with no kitchen. I'm also scared off by tenants who squat, and there are a lot of them here. When I did try to list it long term during a slow time, the first person to apply was a hardened criminal! She got famous during the pandemic breaking into homes along Puako Beach Drive and stealing rental cars. So yeah, I am spooked by long term renting.

Rep Kapela needs to know she is losing my vote if she supports this awful legislation. She will also lose the votes of MANY in her district who are like me-- just moms and pops and aunties and uncles trying to make ends meet by renting a room out. We are watching your vote on this and other legislation that hurts local families.

Please Vote NO. This is horrendous. And seems to be another example of you all sitting around trying to find new ways to close every vacation rental, hosted or unhosted, throughout the state.

Yet when you finally do, you'll wonder where all the tax revenue and visitors went --and still have no affordable housing for locals.

Thank you for the opportunity to submit testimony.

HB-2778-HD-1

Submitted on: 2/21/2024 2:07:53 PM

Testimony for FIN on 2/23/2024 11:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Victoria Johnson	Individual	Oppose	Written Testimony Only

Comments:

On behalf of KOSTRA (Kama'Aina Occupied Short Term Rentals Oahu). I strongly oppose this bill.

Tourism is the backbone ECONOMY in Hawaii. Increasing TAXES will only drive away tourist to less expensive areas. Hawaii already costs enough to visit

Respectfully submitted

Victoria Johnson

HB-2778-HD-1

Submitted on: 2/21/2024 4:02:35 PM

Testimony for FIN on 2/23/2024 11:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Ellen Godbey Carson	Individual	Support	Written Testimony Only

Comments:

I support this bill's additional taxation upon transient accommodations, as this is one of many measures needed to be taken to help prioritize our housing for Hawaii's residents. Each transient accommodation means that there is a family in Hawaii who has no home in which to live And you must leave Hawaii.. The profitability of these transient accommodations deprives more and more of our residents of the ability to find an affordable place to live in Hawaii.

Thank you for consideration of my testimony.

Ellen Carson, Honolulu Hawaii

HB-2778-HD-1

Submitted on: 2/21/2024 4:41:50 PM

Testimony for FIN on 2/23/2024 11:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Usha Kilpatrick Kotner	Individual	Support	Written Testimony Only

Comments:

Aloha Chair Yamashita, Vice Chair Kitagawa, and Honorable Members of the Committee,

My name is Usha Kilpatrick and I am submitting written testimony in strong support of HB2406 HD1, HB2018 HD1, and HB2778 HD1, all of which would increase funding potential from visitors to go towards our local needs and ‘āina. It is clear our underinvestment in our environment is causing costly devastation, from firestorms, floods, and threats to public safety. Our best chance at avoiding the future and surmounting costs of environmental disasters is investing in resilience and restoration solutions today. Conservation is our best insurance policy.

I live on Hawai`i Island and work with The Healy Foundation as the Hawai`i Program director. In this work I am aware of the dedicated, talented community organizations working to care for our `āina, and am equally aware of the sometimes crippling shortfall in resources needed to engage in the work and tackle the monumental challenges we are facing.

Increasing funding for our natural resources is a pathway to a future where our keiki is safe, our environment is healthy, and residents and visitors benefit from the ecosystems we care for. This future requires funding, and all three of these measures can generate the additional funding needed to provide climate relief, climate response, and preventative restoration. Our community safety is at risk the more years we go without significant funding toward environmental protection and restoration. The cost of another year of inaction is too high.

We face surmounting environmental challenges like wildfires, disappearing coastlines, bleached coral reefs, and an underinvestment in the management of these natural and cultural resources. HB2406, HB2081, HB2778 are all a critical step to ensuring visitors are paying their fair share for the places they use, visit, and experience during their time here, including these resources that need investment.

If passed, we ask that a portion of the increased revenue be dedicated to implement environmental solutions for State and community programs working to restore our natural and cultural resources across the State, as these solutions and programs are our best shot at avoiding future disasters and their subsequent costs.

As elected leaders you have a responsibility this year to help safeguard our communities and environment from the threat of the climate crisis. There is immense public support for visitors paying their fair share to protect our ‘āina, I urge the committee to pass all of these measures that would resource our State agencies and community organizations with the funding to protect our ‘āina, restore our ecosystems, and manage our natural resources to build resilience and public safety.

Thank you for your service and for your dedication to our future

Mahalo for the opportunity to testify,

Usha Kilpatrick

HB-2778-HD-1

Submitted on: 2/21/2024 5:17:53 PM

Testimony for FIN on 2/23/2024 11:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Chris Becker	Individual	Oppose	Written Testimony Only

Comments:

This bill unfairly targets areas of the state that are major tourist destinations but not in resort zones. Hawaii Volcanoes National Park is one of the most highly visted places in the state. Why should people have to pay higher taxes to stay near the park? Why would you implement policy that encourages thousands of people to drive across the Big Island at night to get back to a resort on the Kona side?

Many areas of the state do not have the infrastructure to support resorts and are very long distances from the nearest resorts. Why are you continuing to economically depress these remote areas via your disparate tax policies?

It is already so expensive for Hawaiians to live here. Why are you making it even more expensive for people to explore their state.

HB-2778-HD-1

Submitted on: 2/21/2024 5:54:51 PM

Testimony for FIN on 2/23/2024 11:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Mali Hawes	Individual	Oppose	Written Testimony Only

Comments:

Tax, tax, tax. We get it Mr. Quinlan, you want to drive the middle class out of Hawaii.

So pissed.

See you next November.

HB-2778-HD-1

Submitted on: 2/21/2024 8:20:04 PM

Testimony for FIN on 2/23/2024 11:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Axel Kratel	Individual	Oppose	In Person

Comments:

This bill is poorly worded and will adversely affect many types of legal alternative accommodations outside of resort zones which do not classify as unhosted non-conforming investment style vacation rentals. Examples are bed and breakfasts, hosted farm stays and legal conforming home shares that help locals make their homes more affordable.

It should also be noted that such measures which unfairly target specific segments of an industry do not survive legal challenges at a Federal level. It is not ok for a segment of the industry to lobby to tax their competitors out of business.

There are better ways to limit non-conforming transient vacation rentals that might hurt local housing inventory. This measure is misguided and a waste of everyone's time.

HB-2778-HD-1

Submitted on: 2/21/2024 8:58:28 PM

Testimony for FIN on 2/23/2024 11:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Sumit Mehra	Individual	Oppose	Remotely Via Zoom

Comments:

Aloha House Members,

- Not all airbnb/vrbo homes are owned by companies, corporates or large funds in masses. For a lot of people like myself and my wife, we always dreamt of having a second home somewhere quiet and peaceful.
- We found ourselves drawn to Hawai‘i year after year since we first visited Hawai‘i in 2013 over a decade ago.
- We loved it so much that we decided to save up and planned on building our retirement nest here. It helped knowing how big of a retiree community the state has which made the idea more comfortable.
- Like a lot of the smart people, my wife and I wanted to buy something early while prices were reasonable, the interest rates were low and we could still afford it.
- We also knew that we needed a way to keep paying for our place interim given how expensive utilities, landscaping, property tax, insurance and other general maintenance in Hawai‘i was.
- Renting it out full time to a tenant wouldn’t even cover close to our out of pocket each month between mortgage and everything else. So renting it out to airbnb made sense to keep up the place.
- Our thought was also to build a second source of income in case we couldn’t keep working forever. Alas, I was let go from work 2 yrs ago in tech and still remain unemployed while my wife is a homemaker raising our two beautiful kids.
- My second house was very critical for me to be able to provide some income in an unfortunate scenario like I went through. It was good planning on our part.
- Also, yes, I’m very proud of running this small business renting out my second home to families who would otherwise struggle to visit this beautiful state of ours because hotels are not what they’re looking for when they arrive with their little children or grandparents. Hotels are two expensive for them family of 6 or 8 people as they’d have to rent several rooms making it economically impossible to do.
- Today in the process of renting out, my rental employs and pay well over \$3K per month in labor maintenance to employ a variety of folks on my property, something I would normally not be able to afford or do.
- Plus, at approx 18%, I pay many ten’s of thousands of dollars in TAT & GE tax to the state and county. These taxes are amongst some of the highest in the United States. All this is over and above the yearly fees for registration I pay, while following all the rules, regulations and ordinances that the county has imposed upon STVRs.

- Hawai'i's tourism has already shrunk this past year, and people living here depend on folks coming over and spending. So please don't make it any harder than this past year has already been.
- So adding another 5% increased tax (on top of the existing approx 18% we pay in the hawaii county) for non resort zones STVRs is egregious and creates absolutely unfair competition for hotels.
- Plus I ask, if hotels aren't paying for extra transient taxes as a business, why should we as a small business! It's unfair and predatory.
- I therefore ask this house to reject this bill and find other ways to fill any "real" gaps that exist in funding to take care of our state.

Mahalo for your time.

HB-2778-HD-1

Submitted on: 2/21/2024 9:32:24 PM

Testimony for FIN on 2/23/2024 11:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Amy Ramos	Individual	Oppose	Remotely Via Zoom

Comments:

To Honored Members of the State House

Subject: Oppose HB 2778

I'm an owner/operator of a legally permitted Short-term rental home located on Maui outside the "hotel district". I've been operating for almost 11 years with ZERO complaints from my neighbors. This business supports my family of 5, and my husband works 6 days a week as a contractor as well.

We already pay astronomical taxes with our real estate category, STRH and all the related taxes collected MTAT, stateTAT, and GET, almost 18% now! No more taxes!!!!

Maui County Property tax assessed for 2023 :

STRH/TVR: \$ 212,486,602

HOTEL/RESORT \$ 51,057,262

\$161,429,340 MORE THAN HOTELS!!!

The one number I've read a couple of times lately in the news is that 52% of vacation rentals are owned by non-residents, but what I acknowledge is that 48% are owned by folks that live

here! All these vacation rentals are small businesses, mom and pops, all are contributing to a vibrant local economy because the money stays on island.

The hotels are ALL off island owned, extracting profits from the the islands, paying folks wages that are supposedly a living wage, (if your google this, it shows less than \$50,000.00 a year for a Hawai'i resort worker!), using vast amounts of water, taking up environmentally fragile space right next to the ocean, yet they pay the least amount of property tax!

I ask you to rethink bills that penalize legal businesses that are supporting so many local families participating in tourism, the #1 economic driver here in Hawai'i.

Oppose this HB2778 please.

Mahalo for allowing public testimony,

Amy Ramos

Kihei, Maui, Hawai'i

HB-2778-HD-1

Submitted on: 2/21/2024 9:55:28 PM

Testimony for FIN on 2/23/2024 11:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Susan D. Alden	Individual	Oppose	Written Testimony Only

Comments:

My name is Susan Alden and I am submitting this testimony in strong opposition to HB 2778, which unreasonably and unfairly proposes to target certain mid- and short-term rentals. This bill would place a surcharge of 5% on top of the current transient accommodations taxes for non-resort mid-and short term rentals. Operators of short -term rentals, many of which are Kama'aina owner-occupied elders, are merely attempting to survive the high cost of living in Hawaii on fixed incomes. This additional surcharge creates a burden on our Kama'aina when they can least afford it. I respectfully ask that we be treated fairly.

Thank you for the opportunity to submit this testimony.

TO: Members of the Committee on Finance

FROM: Natalie Iwasa, CPA, CFE
808-395-3233

HEARING: 11:30 a.m. Friday, February 23, 2024

SUBJECT: HB2778, HD1, Transient Accommodations Tax Surcharge on Rentals
Outside of Resort Areas - **OPPOSED**

Aloha Chair Yamashita and Committee Members,

Thank you for allowing the opportunity to provide testimony on HB2778, HD1, which would add a transient accommodations tax (TAT) surcharge of the greater of 5% or \$25 per day to vacation rentals that are located outside of resort areas.

It's bad enough that there are different TAT rates throughout Hawaii, but now there could be different rates even on the same island. How will this be enforced?

The current TAT rate is already over 10%. On Oahu, the county surcharge makes the total TAT 13.25%. Now you're looking at making it almost 20%. The general excise tax and related surcharge add another 4.5% to short-term rental income.

I do not own property nor do I have any vacation rental owners as clients. I simply believe taxes are getting out of hand. What we need is a more efficiently-run government.

Please do not pass this out of committee. Please vote "**no**" on HB2778, HD1.

HB-2778-HD-1

Submitted on: 2/22/2024 12:46:27 AM

Testimony for FIN on 2/23/2024 11:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Kimeona Kane	Individual	Support	Written Testimony Only

Comments:

Aloha mai kākou,

Kimeona Kane of Waimānalo in strong support of this House Bill 2778 HD1 recognizing that we must strengthen our financial position to care for our home in perpetuity. The times have changed greatly and in just a matter of years, we have seen our Hawai‘i be tested beyond its capacity to service its own. We must take necessary steps that allow us to be in control of our futures. Hawai‘i needs to progress and meet the needs of its people and this bill offers an additional opportunity to do just that. Tourism is not going anywhere, and we through this route can ensure that we are leveraging every option possible to provide what Hawai‘i needs.

Mahalo for your time and service and please pass this bill.

Kimeona Kane

HB-2778-HD-1

Submitted on: 2/22/2024 1:14:13 AM

Testimony for FIN on 2/23/2024 11:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Johanna Stone	Individual	Support	Written Testimony Only

Comments:

I support this bill. We need to stablish a surcharge on the transient accommodations tax for transient vacation rentals. This is because WE end up paying to have to rescue ignorant, entitled tourists who insist on harassing our elders whom you might call "wild life" and "nature", and they use our resources while contributing to desecration upon our ecosystems.

HB-2778-HD-1

Submitted on: 2/22/2024 6:29:56 AM

Testimony for FIN on 2/23/2024 11:30:00 AM

Submitted By	Organization	Testifier Position	Testify
lillie mcafee	Individual	Oppose	Written Testimony Only

Comments:

PLEASE VOTE NO ON HB2778

MOST FOLKS ARE JUST TRYING TO PAY THEIR BILLS AND BUY GROCERIES.

HB-2778-HD-1

Submitted on: 2/22/2024 6:40:15 AM

Testimony for FIN on 2/23/2024 11:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Jill Paulin	Individual	Oppose	Written Testimony Only

Comments:

Aloha Chair, Vice Chair and Members of the Finance Committee,

I oppose HB2778 as it targets certain rentals with higher taxes. It is unfair and most likely illegal to tax properties used for the same purpose differently based on zoning.

I ask that you defer this measure.

Thank you,

Jill Paulin

HB-2778-HD-1

Submitted on: 2/22/2024 6:43:16 AM

Testimony for FIN on 2/23/2024 11:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Mike Jackson	Individual	Oppose	Written Testimony Only

Comments:

This increased taxation is very unfair, and designed to have short term renters pay more and more while running them out of business, but milking as much from them as possible in the meantime. Once you have run STRs out of business, the HUGE effect it will have on tourism, will be felt for many years--long after Blangiardi, Green, and current legislators have retired/moved on so what the heck?! Blangiardi and Green are determined to drive STRs out of business. Guess our revenue will then come from sugar cane, pineapples, and coffee.

HB-2778-HD-1

Submitted on: 2/22/2024 6:49:33 AM

Testimony for FIN on 2/23/2024 11:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Joe Schneckenburger	Individual	Oppose	Written Testimony Only

Comments:

This bill will hurt local families that need to rent out rooms to pay high Hawaii income, GE on medical and food, property taxes and the extremely high cost of living here. Vote no on this bill.

HB-2778-HD-1

Submitted on: 2/22/2024 7:47:14 AM

Testimony for FIN on 2/23/2024 11:30:00 AM

Submitted By	Organization	Testifier Position	Testify
SharLyn Foo	Individual	Oppose	Written Testimony Only

Comments:

Aloha, I strongly oppose HB2778. It targets a specific group. As example there are only 114 residential STR on all of Oahu. Why does the state and county keep targeting legal folks. Please stop.Mahalo SharLyn Foo

HB-2778-HD-1

Submitted on: 2/22/2024 7:56:05 AM

Testimony for FIN on 2/23/2024 11:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Samantha Mislinski	Individual	Support	Written Testimony Only

Comments:

Aloha Chair Yamashita, Vice Chair Kitagawa, and Honorable Members of the Committee,

I am Samantha Cole Mislinski, and I am submitting written testimony in strong support of HB2406 HD1, HB2018 HD1, and HB2778 HD1. I acknowledge that the state is currently facing a massive deficit in its budget of about \$1 billion due to the costs of the Lahaina fire. I ask that you consider the economic potential to generate revenue that would help pay the cost of the fire and will help invest in strategies that will help prevent another Lahaina and, in the long term, save the state millions, if not billions, in climate change-related damage.

Climate change is the biggest concern to our Island home, and I am terrified that we are not doing enough to prevent and prepare ourselves. Climate change will impact every aspect of our economy, housing, the tourism industry, and the people of Hawai‘i. Climate change will negatively impact every current issue that the State faces, and by investing in our environment, we can help mitigate all of the impacts and save the State money. Right now, Hawai‘i spends about 1% on the environment. 1% of the State’s budget is clearly not enough, and we are seeing the damage both economically and to the people. The impacts of climate are here, now, and not some abstract future problem that we have time to solve later. We are out of time. Doing nothing will only increase the costs of climate change later and will put a financial burden on our keiki. The time to act is now, not tomorrow or next year. If we don’t act now, the future bill will be higher, and we will lose more lives. **Our best chance at avoiding the future where there will be more Lahainas and more death and destruction while surmounting the costs of environmental disasters is investing in resilience and restoration solutions today.** Conservation is our best insurance policy.

Increasing funding for our natural resources is a pathway to a future where our keiki are safe, our environment is healthy, and residents and visitors benefit from the ecosystems we all care for and depend upon. This future requires funding, and all three of these measures can generate the additional funding needed to provide climate relief, climate response, and preventative restoration. Our community safety is at risk the more years we go without significant funding

toward environmental protection and restoration. **The cost of another year of inaction is too high. The cost will not only be in money or infrastructure but will be human lives.**

HB2406, HB2081, and HB2778 are all a critical first step to ensuring visitors pay their fair share for the places they use, visit, and experience during their time here, including these resources that need investment. We desperately need funding to protect our environment and to ensure future bills of climate change, like the one from Lahaina will be less.

If passed, we ask that a portion of the increased revenue be dedicated to implementing environmental solutions for State and community programs working to restore our natural and cultural resources across the State. This will help create a new high-paying industry that would help keep our residents here and help them return. It is a shame that there are more Native Hawaiians living in other states than Hawai'i. We are stronger together. These bills are a step in creating a healthy Hawai'i that would be able to welcome all of its people back.

As elected leaders, you have a responsibility this year to help safeguard our communities and environment from the threat of the climate crisis. There is immense public support for visitors paying their fair share to protect our 'āina. I urge the committee to pass all of these measures that would fund our State agencies and community organizations to protect our 'āina, restore our ecosystems, and manage our natural resources to build resilience and public safety.

I sincerely hope that today, you put the well-being and the lives of the people of Hawai'i and our future first. Not only would these bills help generate the needed funding to cover the State's budget deficit, but these bills will also begin to fund programs that will protect our most important resources, create jobs to keep our residents here, and save lives.

Mahalo for the opportunity to testify,

Samantha Cole Mislinski

HB-2778-HD-1

Submitted on: 2/22/2024 8:06:55 AM

Testimony for FIN on 2/23/2024 11:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Deb Price	Individual	Oppose	Written Testimony Only

Comments:

When tourists stop coming to Hawaii because they can't/won't afford it, who will support this economy? won't be residents.. we rely on tourist tax dollars for jobs, restaurants, shops, county services.. we won't be able to afford to live here, stop taxing tourism, those are the people that supported Lahaina when the fires destroyed Lahaina! those donations and support flowed in, that won't happen if you chase them away! We DO NOT WANT A FURTHER CRASHED ECONOMY

HB-2778-HD-1

Submitted on: 2/22/2024 8:21:08 AM

Testimony for FIN on 2/23/2024 11:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Barbara Best	Individual	Support	Written Testimony Only

Comments:

We cannot afford inaction as we are already experience climate change. Our condo recently spent \$60,000 to repair damage from storms. Environmental solutions such as in this bill may prevent future disasters; we can't afford not to try. Mahalo,

Bobbie Best, Wailuku

HB-2778-HD-1

Submitted on: 2/22/2024 9:03:32 AM

Testimony for FIN on 2/23/2024 11:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Kim Marie Lopez	Individual	Oppose	Written Testimony Only

Comments:

This bill will destroy Maui's economy not only affecting the STR owners but workers. STR owners will be forced to sell. There will be less jobs so residents will be forced to sell. Property values will plummet. Who will pay your taxes then. STRs have paid these taxes and supported Maui's economy as well as the tourists that bring income to almost every single household in one way or another. Businesses will close down. Many have already decided not to rebuild and have left island. We understand an additional contribution and thought it would be higher taxes and a 25.00 fee per reservation. We will lose tourists. This additional tax and fees will drive them away. We no longer qualify for unemployment insurance. More people will be forced to go on welfare which will cost the state more money. Homeowners won't qualify for welfare assistance because they have assets and will not be able to pay their mortgages. Again, forced to se.. This is too high, too much and unfair. If money is all you are thinking about then think of what the state will be losing in tax revenue. They will not be gaining!

HB-2778-HD-1

Submitted on: 2/22/2024 9:19:52 AM

Testimony for FIN on 2/23/2024 11:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Virginia Tincher	Individual	Support	Written Testimony Only

Comments:

Testimony in Support of HB2406 HD1, HB2081 HD1, HB2778 HD1

Committee on Finance

Aloha Chair Yamashita, Vice Chair Kitagawa, and Honorable Members of the Committee,

My name is Virginia Tincher and I am submitting written testimony in strong support of HB2406 HD1, HB2018 HD1, and HB2778 HD1, all of which would increase funding potential from visitors to go towards our local needs and ‘āina. It is clear our underinvestment in our environment is causing costly devastation, from firestorms, floods, and threats to public safety. **Our best chance at avoiding the future and surmounting costs of environmental disasters is investing in resilience and restoration solutions today.** Conservation is our best insurance policy.

I am often in Hawaii at my daughter's and over the past 24 years I have experienced increasing degradation at the beaches and go rarely now due to impacted water quality. If my daughter and granddaughter didn't live here I doubt I would chose to travel to Hawaii. For me the quality of the environment is important. When our family traveled to The Galapagos we were proud to pay the fee which protects the wildlife and the environment. Our guide who has been leading groups his whole life said the protected environment is why people travel to the Galapagos. Otherwise, he said, we would just be another beach and there are many cheaper places. I fear Hawaii is headed in the direction of being just another beach.

As elected leaders you have a responsibility this year to help safeguard our communities and environment from the threat of the climate crisis. There is immense public support for visitors paying their fair share to protect our ‘āina, I urge the committee to pass all of these measures that would resource our State agencies and community organizations with the funding to protect our ‘āina, restore our ecosystems, and manage our natural resources to build resilience and public safety.

Mahalo for the opportunity to testify,

Virginia

HB-2778-HD-1

Submitted on: 2/22/2024 9:21:53 AM

Testimony for FIN on 2/23/2024 11:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Caroline Azelski	Individual	Oppose	Written Testimony Only

Comments:

In opposition to HB2778 HD1. It would punish small business in outlying areas.

HB-2778-HD-1

Submitted on: 2/22/2024 9:31:34 AM

Testimony for FIN on 2/23/2024 11:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Jeanne Herbert	Individual	Support	Written Testimony Only

Comments:

Aloha,

I support HB2778.

Mahalo,

Jeanne Herbert

HB-2778-HD-1

Submitted on: 2/22/2024 9:52:32 AM

Testimony for FIN on 2/23/2024 11:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Tyler McMurtry	Individual	Oppose	Written Testimony Only

Comments:

I submit in opposition to this bill as it unfairly levies a discriminatory tax towards local owners/operators of legal vacation rentals outside the resort zones and excludes hotel properties from paying this tax. This creates an unfair tax advantage for large hotel corporations and puts small vacation rental businesses at a disadvantage.

HB-2778-HD-1

Submitted on: 2/22/2024 9:52:36 AM

Testimony for FIN on 2/23/2024 11:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Kathleen A. Dennis	Individual	Oppose	Written Testimony Only

Comments:

Aloha, my family operates a B and B business in Kihei. Our property is available for rental 6-10 weeks a year. We pay quite a lot of taxes for this privilege, and this in turn strengthens the local economy. We are able to do this because of our business.

This proposed bill will adversely effect our business, and the lives of all the local people who make it a success. We employ house cleaners, AC service professionals, landscapers, and various other local services to keep the property going. Our guests pay large amounts of taxes, and frequent local businesses such as restaurants, tour companies, and local shops. All these entities are pumping money into the local economy, too!

Hotel stays are just too expensive for large groups, and some people just prefer the atmosphere of a "home". If this bill passes, it will be to the detriment of all, as many will no longer be able to afford to visit this beautiful place, Maui.

Were we not able to operate our B and B anymore, our house would not be available for for long term rentals or for sale, as it is our family home. Tax revenue would be lost, local businesses would suffer, and there would be no positive impact on the long term housing crisis.

I ask the legislature, how does this proposed change help the many people whose income depends on the money generated by visitors?

Courtney L Dennis

George W Dennis

Kathleen A Dennis

HB-2778-HD-1

Submitted on: 2/22/2024 9:58:09 AM

Testimony for FIN on 2/23/2024 11:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Liz Lees	Individual	Oppose	Written Testimony Only

Comments:

I am against this bill. I disagree with the premise that vacation rentals outside the resort zone should be singled out for this additional tax. My short term rental in my home helps me pay for my home's upkeep in retirement and keeps my home affordable as a full time Hawaii resident. I don't see any difference in my guests and the renters across the street in terms of use or cost to the county and the state. My guests already pay almost 20% tax (GET/TAT combined). This is the highest in the country. Please do not kill tourism income for owner hosted rentals. This bill reeks of hotel lobby influence.

HB-2778-HD-1

Submitted on: 2/22/2024 10:11:11 AM

Testimony for FIN on 2/23/2024 11:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Klara Marie Crocco	Individual	Oppose	Written Testimony Only

Comments:

To whom this may concern,

I am Klara Crocco, a full-time Maui resident and STR owner in Kihei, Maui. I am testifying against HB2778 HD1. I urge lawmakers to consider how this proposed bill, which discriminates against vacation rental owners outside of resort zones, such as myself, and gives hotels an unfair competitive advantage, will impact the greater Maui economy.

As a local STR owner, I support a small, local cleaning company, purchase welcome amenities such as coffee and pie from small, local businesses in the community, utilize a local accounting firm, and also, hire small, local businesses to fulfill my property's maintenance needs. I also interact with our guests and recommend local activity companies and restaurants. The revenue I make stays on-island and goes directly to resident businesses within our community. I fully believe that, if passed, HB2778 HD1 would hurt our local economy, especially local small businesses.

Thank you for your consideration of these points!

Mahalo,

Klara Crocco

HB-2778-HD-1

Submitted on: 2/22/2024 10:22:17 AM

Testimony for FIN on 2/23/2024 11:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Dane Ramos	Individual	Oppose	Written Testimony Only

Comments:

I oppose this bill HB2778

This bill only is to punish mom and pop Vacation rentals and gives more power the hotel industry, which are all owned by off island companies. This is taxation without any good cause!!

Please keep all the small business owners in business and allow fair competition within tourism, our largest economic resource here in the islands.

Mahalo,

Dane Ramos

Makawao, Hawaii

HB-2778-HD-1

Submitted on: 2/22/2024 10:23:42 AM

Testimony for FIN on 2/23/2024 11:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Jack Young	Individual	Oppose	Written Testimony Only

Comments:

HB2778 is too high of tax. I can't understand why the legislature thinks people can pay any amount for a Vacation in Hawaii. It's not as if people aren't all ready paying a good amount of taxes.

HB-2778-HD-1

Submitted on: 2/22/2024 10:30:29 AM

Testimony for FIN on 2/23/2024 11:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Penny Lee	Individual	Oppose	Written Testimony Only

Comments:

This is a prejudicial and mean taxation bill initiated by the hotel/resort lobby and meant to destroy the small business competition. Targeting a special sub group of transient accommodations with "special" taxation is illegal. Is this not also Antitrust violation? This is a squeeze-out targeted at small business local vacation rental owners, who tend to be outside of resort zones. Most local residents could never afford a vacation rental inside a resort zone.

By the way - Hotels and Resorts are the most resource intensive lodging you can imagine. Acres of artificially watered landscapes and golf courses. Thousands of rooms in a small area that are producing so much sewage and garbage, sitting in front of our most precious beaches and reefs (Hint: look at the cesspool conversion priority map and see where priority 1 is located). Funny that most of the Hotels/Resorts and their "grounds" are owned by offshore large corporate entities like Blackstone. Yet here is the legislature carving them out and making vacation rentals outside of resort zones the scapegoat.

HB-2778-HD-1

Submitted on: 2/22/2024 10:31:36 AM

Testimony for FIN on 2/23/2024 11:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Martine Aceves-Foster	Individual	Oppose	Remotely Via Zoom

Comments:

Good afternoon, Chair and Committee Members:

Thank you for allowing me to speak on HB 2778.

My name is Martine Aceves-Foster, and I oppose HB 2778.

I raised my children here in Hawaii, taught for 26 years in the UH system, and my former husband and I bought our home here in Hawaii. After the divorce, I chose to stay in the home I love, amongst my good neighbors and dear friends.

This is the home where my sons stay when they visit me, and that is the reason I rent short-term. I want my sons to be able to come home. That's important to me.

I own one property in Hawaii with one structure on it, my home. It's simple, one front door to a 3-bedroom, 2-bath house. I rent short term one of the extra bedrooms my sons used to occupy. Many of my guests have been students, nurses, medical interns on rotation, Oahu residents in transition, and former Hawaii residents returning to visit their ohana. I've enjoyed providing a home for my guests and getting to know them.

Renting one bedroom in my home has made it more manageable to pay the mortgage, property taxes and utility bills.

I charge \$60/night. Adding a \$25/night fee to my rental adds a 41.666% tax (effectively 42%). That means, in addition to Excise, TAT, and OTAT, the State and County want to levy a total tax of 59.75% (effectively 60%) on kupuna who rent out a room in their home, simply because they're not privileged enough to own a condo in a resort area. That is excessive taxation and does nothing to resolve the housing crisis.

As a single divorced retiree on a fixed income, I see HB 2778 as a blunt tool.

Hawaii's housing problem will not be solved by forcing some homeowners to give up their homes in order for others to have them. And who's to say the buyers will be locals in need of housing? Isn't it true that about 20% of homes on the market are purchased by people who live outside the State?

I would like to see a bill that allows individuals and couples who reside in their home to supplement their income by renting a room or two in their own home.

Please, vote against HB 2778. Please, create legislation that does not replace one homeowner with another homeowner. Please, help all of Hawaii's residents thrive *in* Hawaii. Mahalo.

HB-2778-HD-1

Submitted on: 2/22/2024 10:48:13 AM

Testimony for FIN on 2/23/2024 11:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Ruth Robison	Individual	Support	Written Testimony Only

Comments:

Chair Yamashita, Vice Chair Kitagawa, and Honorable Members of the Committee,

My name is Ruth Robison; I live in Hilo. I am in strong support of HB2778 HD1.

I traveled to Antigua in the Caribbean a few years ago. It is a stark example of what happens when millions of dollars are being made by the tourist industry and little of it stays on the island to maintain the island's environment. I realized that the same thing is happening in Hawai'i.

Please pass HB 2778. Thank you for your service to the public and thank you for the opportunity to testify.

HB-2778-HD-1

Submitted on: 2/22/2024 10:58:27 AM

Testimony for FIN on 2/23/2024 11:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Susan Barrackman	Individual	Oppose	Written Testimony Only

Comments:

Aloha,

My brother says Aloha actually means Hey we found you! No hiding on an island.

I strongly oppose this ridiculous measure.

It will never in any way make housing more affordable for anyone. It will make some host possible join the homeless.

It's all about co trol and your allegiances to your global climate agendas .these alliances are a direct betrayal of your duties to the people of the land.

It agree to climate agendas and then push them thru with no care for how they affect the people ...just keep pushing them thru and shoving us out.

It smells of Treason.

Thank you for your time. ALOHA!

HB-2778-HD-1

Submitted on: 2/22/2024 11:00:24 AM

Testimony for FIN on 2/23/2024 11:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Mitch Maxwell	Individual	Oppose	Written Testimony Only

Comments:

This is another terrible bill that seeks to punish the wrong people. It's tantamount to biting the hand that feeds you! Stop punishing legal operators and tourists!

HB-2778-HD-1

Submitted on: 2/22/2024 11:27:46 AM

Testimony for FIN on 2/23/2024 11:30:00 AM

Submitted By	Organization	Testifier Position	Testify
MICHAEL RAMOS	Individual	Oppose	Written Testimony Only

Comments:

I oppose this HB 2778

This bill is discriminatory towards small businesses. Kill it.

Mike Ramos

Makawao Hawaii

HB-2778-HD-1

Submitted on: 2/22/2024 12:56:22 PM

Testimony for FIN on 2/23/2024 11:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Erdogan Gulari	Individual	Oppose	Remotely Via Zoom

Comments:

I am a Kauai resident and owner of legal Vacation rental property. It appears to me that everytime there is some new idea needing more money there is another tax on vacation rentals. First it was TAT being increased from 7% to 10.25%, Then came the county addition to GE taxes of 0.5% and the most recent one 3% additional TAT going to the county. There is such a thing as killing the goose that laid the golden eggs. Adding more taxes on STRs is taking one more step in the direction of killing the goose. Hawaii already has the highest taxes on tourism industry. I am certain that on islands like Kauai the taxes generated by the STRs exceed the taxes generated by the hotels. Furthermore most of the hotels are owned by large corporations outside the state of Hawaii so their profit goes out of the state. In comparison a significant fraction of STR owners are locals and keep all their money in the state. Finally the location of the islands makes them vulnerable to increases in transportation costs and we are already seeing a significant decrease in visitor numbers compared to 2023. Southern pacific islands, Tahiti, FIJI etc. are now cheaper to fly to and stay. Plus they have the advantage of welcoming American tourists with open arms as opposed to treating them as a nuisance which is the case in Hawaii. STRs also serve a different group of visitors - families who come here for celebrations or reunions etc. This group of visitors almost certainly will not stay at hotels. Overall adding another tax on STRs will not bring as much additional money as expected and may result in a decrease in the overall tourism income.

HB-2778-HD-1

Submitted on: 2/22/2024 1:26:43 PM

Testimony for FIN on 2/23/2024 11:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Lois Crozer	Individual	Oppose	Written Testimony Only

Comments:

Aloha,

This bill is another attempt by the C&C to appease the offshore-owned hotel industry. I understand the C&C is trying to disincentivize short term rentals (STRs) outside of resort zones with this tax, but having all these tax structures is very confusing for the tax department, and \$25 DAILY on each rental is burdensome on the little mom and pop owner-occupied rental who tend to charge \$100-\$200 max a day. There are STRs that cost upwards of \$3k a night for whole properties where the owner does not live there and sometimes is not even a resident, and since these are the properties that must be causing the complaints, why not figure out a better way to ensure they follow the current laws? Buying for investment increases housing costs, not the homeowner who is living on their property. Stop going after the resident owners who are trying to make ends meet. I have to say this again, start regulating fairly and stop these monster houses from operating if they are disrupting neighborhoods or increasing housing costs. Find the actual problem and REGULATE fairly.

HB-2778-HD-1

Submitted on: 2/22/2024 1:57:19 PM

Testimony for FIN on 2/23/2024 11:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Sam Dorios	Individual	Support	Remotely Via Zoom

Comments:

Aloha Chair Yamashita,, Vice Chair Kitagawa, and Honorable Members of the Committee,

My name is Sam Dorios, and I live in Mānoa on O‘ahu. I am submitting written testimony in strong support of HB2406 HD1, HB2018 HD1, and HB2778 HD1, all of which would increase funding potential from visitors to go towards our local needs and ‘āina.

I am a little disheartened that this issue could have been resolved last session, but sadly the efforts died in committee. But I, along with many others, will continue to press for this for as long as it takes.

Hawai‘i’s environment (alongside its rich history and culture) is what gives this place such value. It is why visitors from all over the world make the long journey. It is wonderful that Hawai‘i is so loved and that we receive millions of visitors each year. But sadly, this does take a toll on our ‘āina. Many visitors understand this and are also willing to contribute to keeping our islands pristine, resilient, and healthy. These bills are a way for visitors to do just that; contribute to keeping the islands as healthy, if not even healthier, than when they arrived.

Moreover, in the face of climate change, the fragility of our ‘āina is all the more apparent. If we fail to invest in resilience and restoration solutions today, it can have disastrous results (as we sadly have seen on Maui and the Big Island). Conservation is our best insurance policy. Our community safety is at risk the more years we go without significant funding toward environmental protection and restoration; this type of action is long overdue. I understand that funding might be tight, but this must be a priority. Please show us that you understand and agree by supporting these bills!

Mahalo for the opportunity to testify,

-Sam Dorios

HB-2778-HD-1

Submitted on: 2/22/2024 2:30:34 PM

Testimony for FIN on 2/23/2024 11:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Ken Sim	Individual	Oppose	Written Testimony Only

Comments:

Short term rentals operating in residential zones with county registration are not illegal. They have been granted a designation of non-conforming use by the county.

If you are going to proceed to place an extra tax/surcharge on a non-conforming use for a short term rental you will also need to place the same tax/surcharge on every other entity that is operating with a non-conforming use designation, otherwise it is discriminatory.

Please defer this Bill.

Thank you.

HB-2778-HD-1

Submitted on: 2/22/2024 4:29:54 PM

Testimony for FIN on 2/23/2024 11:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Tonic Bille	Individual	Oppose	Written Testimony Only

Comments:

Aloha Chair and Committee Members,

I oppose HB2778.

I can only agree word for word with the Grassroots Institute of Hawaii testimony.

Excerpt as follows:

From one perspective, this bill seems like just another way to raise taxes while using a popular scapegoat — TVRs, short-term rentals, or whatever one might wish to call them — as the convenient justification.

However, whether the stated rationale for this surcharge is legitimate or not, this bill is also problematic for a very different reason, which is that it poses a threat to Hawaii’s broader economy.

For example, a 2020 study commissioned by the Hawaii Tourism Authority found that STRs added \$6 billion to the state’s economy and sustained 46,000 jobs.

The survey also found that “30% respondents reported that IF there was not a home and vacation rental option during their recent stay in Hawaii, they would not have made the trip.”

The idea that a tax such as the one proposed in this bill will fall more heavily — or even exclusively — on tourists can be attractive, but a large body of research demonstrates that increasing taxes on tourists can affect both the competitiveness of Hawaii’s tourism industry and the health of local businesses that depend upon tourist dollars.

Sincerely,

Tonic Bille

HB-2778-HD-1

Submitted on: 2/22/2024 5:59:01 PM

Testimony for FIN on 2/23/2024 11:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Virginia Dudden	Individual	Oppose	In Person

Comments:

Thank you for giving me the opportunity to strongly oppose HB2778 HDI. Additional taxes exclusively on STR and mid-term rents are punitive. This additional tax will largely be borne by the Senior Citizen residents of Hawaii. Hawaii residents over the age of 55 account for 79% of STR and mid-term rental owners. Income from their rentals helps them make ends meet and deal with inflation.

If you want to raise transit tax, do it fairly. Increase the rate for hotels, motels, and resorts. Don't just penalize us Seniors.

Respectfully,

Virignia Dudden

HB-2778-HD-1

Submitted on: 2/22/2024 8:11:39 PM

Testimony for FIN on 2/23/2024 11:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Kiana Otsuka	Individual	Support	Written Testimony Only

Comments:

Testifying in strong support.

HB-2778-HD-1

Submitted on: 2/23/2024 8:22:32 AM

Testimony for FIN on 2/23/2024 11:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Karen Luke	Individual	Oppose	Written Testimony Only

Comments:

I oppose increasing taxes without benefits. Please find a way to govern without constantly trying to reach into taxpayer's pockets.