

STAND. COM. REP. NO.

3045

Honolulu, Hawaii

MAR 01 2024

RE: S.B. No. 3234
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Second State Legislature
Regular Session of 2024
State of Hawaii

Sir:

Your Committees on Ways and Means and Judiciary, to which was referred S.B. No. 3234, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO THE STABILIZATION OF PROPERTY INSURANCE,"

beg leave to report as follows:

The purpose and intent of this measure is to enable the Hawaii Property Insurance Association and the Hawaii Hurricane Relief Fund to underwrite certain insurance risks in the State.

More specifically, this measure:

- (1) Establishes a separate transient accommodation tax rate to be levied and assessed on transient vacation rentals, and provides for the distribution of tax revenues levied and assessed on transient vacation rentals;
- (2) Establishes a property insurance surcharge on conveyance tax to be levied and assessed on certain transfers and conveyances of real property, and provides for the distribution of revenues from the surcharge on conveyance tax;
- (3) Clarifies the duties of the Hawaii Property Insurance Association, including requiring the Hawaii Property Insurance Association to establish in its plan of



association may be eligible to be insured by the Hawaii Property Insurance Association, establish a reserve trust fund, and receive moneys from certain taxes, fees, and surcharges;

- (4) Authorizes the Hawaii Property Insurance Association to provide property insurance other than fire insurance for certain real properties organized as a condominium;
- (5) Requires Hawaii Property Insurance Association member insurers to impose a surcharge on certain insurance premiums to recoup assessments paid to cover extraordinary losses incurred by the Hawaii Property Insurance Association;
- (6) Requires property and casualty insurers to impose a surcharge on certain insurance premiums to recoup assessments paid to the Hawaii Hurricane Relief Fund;
- (7) Amends specific coverage limits, fund capitalization amounts, and assessment percentages; and
- (8) Authorizes the Insurance Commissioner to reinstate the special mortgage recording fee.

Your Committees received written comments in support of this measure from the Hawaii Green Infrastructure Authority, Community Associations Institute, Hawaii Bankers Association, Hawaii Financial Services Association, Honolulu Tower Association of Apartment Owners, and one individual.

Your Committees received written comments on this measure from the Department of Commerce and Consumer Affairs, Department of Taxation, Hawaii REALTORS, Maui Chamber of Commerce, State Farm Mutual Automobile Insurance Company, and Tax Foundation of Hawaii.

Your Committees find that enabling the Hawaii Property Insurance Association and Hawaii Hurricane Relief Fund to underwrite certain insurance risks that may otherwise not be underwritten will help to stabilize the State's property insurance market and encourage property insurers to continue to do business in the State.



Your Committees note that in its written comments on this measure, the Department of Taxation recommended amending this measure to:

- (1) In lieu of imposing an additional tax on four different categories of transient vacation rentals, either:
 - (A) Increase the transient accommodations tax imposed on all transient accommodations; or
 - (B) Adopt a single definition of "transient vacation rental", without reference to county ordinance, to apply uniformly to all short-term rentals in the State;
- (2) Remove the proposed allocation formulas in section 237D-2(f), Hawaii Revised Statutes, and instead establish set funding allocation dollar amounts or percentages of all transient accommodations tax revenues collected under section 237D-6.5, Hawaii Revised Statutes; and
- (3) If the Department of Taxation's recommendations are adopted, changing the effective date for Sections 2, 3, 4, and 5 of this measure to January 1, 2026, to provide sufficient time for the Department of Taxation to:
 - (A) Develop the necessary forms, instructions, computer system, and administrative changes; and
 - (B) Provide taxpayer education about the increased taxes and requirements.

Your Committees also note that this measure does not include provisions that address insurance coverage for commercial properties in lava zones 1 and 2. Accordingly, your Committees respectfully request that this issue be considered as the measure moves forward in the legislative process.

As affirmed by the records of votes of the members of your Committees on Ways and Means and Judiciary that are attached to this report, your Committees are in accord with the intent and



purpose of S.B. No. 3234, S.D. 1, and recommend that it pass Third Reading.

Respectfully submitted on
behalf of the members of the
Committees on Ways and Means
and Judiciary,



KARL RHOADS, Chair



DONOVAN M. DELA CRUZ, Chair



The Senate
 Thirty-Second Legislature
 State of Hawai'i

Record of Votes
Committee on Judiciary
JDC

Bill / Resolution No.:*	Committee Referral:	Date:
SB 3234 SD1	CPN EET, WAM JDC	03 01 24

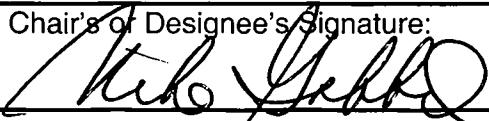
The Committee is reconsidering its previous decision on this measure.
 If so, then the previous decision was to: _____

The Recommendation is:

Pass, unamended 2312 Pass, with amendments 2311 Hold 2310 Recommit 2313

Members	Aye	Aye (WR)	Nay	Excused
RHOADS, Karl (C)	✓			
GABBARD, Mike (VC)	✓			
ELEFANTE, Brandon J.C.	✓			
SAN BUENAVENTURA, Joy A.		✓		
AWA, Brenton	✓			
TOTAL	4	1	-	-

Recommendation: Adopted Not Adopted

Chair's or Designee's Signature:


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*Only one measure per Record of Votes