

LINDA LINGLE
GOVERNOR

JAMES R. AIONA, JR.
LT. GOVERNOR



KURT KAWAFUCHI
DIRECTOR OF TAXATION

SANDRA L. YAHIRO
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809

PHONE NO: (808) 587-1510
FAX NO: (808) 587-1560

**HOUSE COMMITTEE ON TOURISM & CULTURE
TESTIMONY REGARDING HB 1204
RELATING TO TOURISM**

TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)

DATE: FEBRUARY 9, 2009

TIME: 8:30AM

ROOM: 312

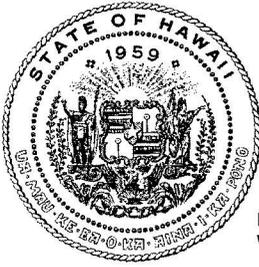
This bill amends section 237D-6.5(b) by requiring that certain transient accommodations tax revenue be deposited in the tourism special fund rather than the general fund. This bill takes effect on July 1, 2009.

The Department of Taxation ("Department") **opposes this bill because of its implications on the general fund.**

The Department must be cognizant of the biennium budget and financial plan. This measure has not been factored into either. Given the forecasted decrease in revenue projections, this measure would add to the budget shortfall.

The Department estimates that this bill would result in a general fund revenue loss of \$10 million in both 2010 and 2011. The tourism special fund would see a \$10 million gain for both of those years.

000025



LINDA LINGLE
Governor

LLOYD I. UNEBASAMI
Interim President and
Chief Executive Officer

Hawai'i Tourism Authority

Hawai'i Convention Center, 1801 Kalākaua Avenue, Honolulu, Hawai'i 96815
Website: www.hawaiitourismauthority.org

Telephone: (808) 973-2255
Fax: (808) 973-2253

Testimony of
Lloyd Unebasami
Interim President and Chief Executive Officer
Hawai'i Tourism Authority
on
H.B. 1204
Relating to Tourism

House Committee on Tourism, Culture, & International Affairs
Monday, February 9, 2009
8:30 a.m.
Conference Room 312

The Hawai'i Tourism Authority (HTA) strongly supports H.B. 1204, which proposes, for fiscal years 2009-2010 and 2010-2011, to provide an additional \$10 million in transient accommodations tax (TAT) to the Tourism Special Fund.

Since 2004, Hawai'i's visitor industry has reached record levels in terms of performance. In 2007, the latest data available for a full year, Hawai'i's visitor industry in Hawaii produced \$12.5 billion or 21.8 percent of the gross state product, accounted for 187,000 jobs or 21.4 percent of the total employment for the state and contributed \$1.29 billion tax dollars to the state and county government or 20.8 percent of total tax revenues. That was at a time when the industry was prospering and TAT revenues increasing as well. However, the economic crisis that has affected the nation and Hawai'i since 2008 and is still ongoing, has resulted in lower TAT collections and consequently, caused the HTA to revisit its \$88 million budget approved by the Legislature for the current fiscal year and plan for more realistic expenditures closer to \$71 million.

The additional revenues that H.B. 1204 provides during these challenging times, will enable HTA to invest in programs under the Marketing, Access and Research & Planning Initiatives that will help to stimulate travel to Hawai'i and as a result, support Hawai'i's economy, help to sustain jobs and bring in tax revenues to state and county governments. Equally important are the other non-marketing initiatives outlined in the Hawai'i Tourism Strategic Plan (TSP) such as Hawaiian Culture, Natural Resources, Tourism Product Development, Workforce Development, Safety & Security and Communications & Outreach. All nine initiatives are needed to ensure a long-term and sustainable visitor industry.

We strongly support H.B. 1204 and urge its passage. Thank you for the opportunity to testify on this measure.

000026



LINDA LINGLE
GOVERNOR
MARSHA WIENERT
TOURISM LIAISON

TOURISM LIAISON

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804

Telephone: (808) 586-2362
Fax: (808) 586-2370

Statement of
MARSHA WIENERT
Tourism Liaison
Department of Business, Economic Development & Tourism
before the
HOUSE COMMITTEE ON TOURISM, CULTURE & INTERNATIONAL AFFAIRS
Monday, February 9, 2009
8:30 a.m.
State Capitol, Conference Room 312

in consideration of
HB 1204
RELATING TO TOURISM.

Chair Manahan, Vice Chair Tokioka and Members of the House Committee on Tourism, Culture and International Affairs.

The Department of Business, Economic Development and Tourism appreciates the intent of HB 1204, which distributes an additional \$10 million in transient accommodations tax revenues to the tourism special fund in fiscal year 2009-2010 and fiscal year 2010-2011.

Hawai'i experienced a sharp decline in visitor arrivals and visitor spending in 2008, with visitor arrivals decreasing 10.8% to 6.8 million visitors. Visitor expenditures decreased \$1.8 billion, or 9.9%, to \$11.3 billion. These declines have had a huge effect on the state, as tourism plays such a large role in our economy and the health of the industry affects everything.

Increased tourism marketing and outreach is a part of the state's five-point economic sustainability plan. We view tourism marketing as an investment in the economy. It has been proven time and again that increased marketing is one of the quickest ways to get our economy back on its feet.

000027

While we believe that these additional tourism special fund dollars are needed, the loss of revenue to the General Fund has not been taken into consideration in the Executive Biennium Budget. We do believe, however, that to stimulate our economy, additional marketing efforts need to be implemented. These marketing efforts will generate additional revenue through other taxes that benefit the general funds of the state.

Thank you for giving me the opportunity to comment on HB 1204.



**HAWAI'I HOTEL & LODGING
ASSOCIATION**

2270 Kalakaua Ave., Suite 1506
Honolulu, HI 96815
Phone: (808) 923-0407
Fax: (808) 924-3843
E-Mail: hhlh@hawaii-hotels.org
Website: www.hawaii-hotels.org



31st Anniversary
Are You Walking???
May 16, 2009
(Always the 3rd Saturday in May)
www.charitywalkhawaii.org

**TESTIMONY OF MURRAY TOWILL
PRESIDENT
HAWAI'I HOTEL & LODGING ASSOCIATION
February 9, 2009
RE: HB 1204 Relating to Tourism**

Good morning Chair Manahan and members of the House Committee on Tourism, Culture & International Affairs. I am Murray Towill, President of the Hawai'i Hotel & Lodging Association.

The Hawai'i Hotel & Lodging Association is a statewide association of hotels, condominiums, timeshare companies, management firms, suppliers, and other related firms and individuals. Our membership includes over 170 hotels representing over 47,300 rooms. Our hotel members range from the 2,523 rooms of the Hilton Hawaiian Village to the 4 rooms of the Bougainvillea Bed & Breakfast on the Big Island.

The Hawai'i Hotel & Lodging Association supports HB 1763 Relating to Tourism. This bill would temporarily increase the amount of Transient Accommodations Tax (TAT) revenue going to the Hawaii Tourism Authority (HTA). We believe this bill would provide increased funding to the HTA at a very critical time.

In recent years as tourism has prospered and TAT revenue increased, the HTA has been able to increase the funding for other activities included in their broad mandate. Unfortunately, the severe economic downturn we are facing is reducing the funds to the HTA due to the falling TAT revenue. The downturn has also increased the need for marketing. We must once again focus spending on marketing to stimulate our economic recovery. Additional funds would help the HTA and its contractors to be in the marketplace touting Hawaii's assets and the value of a Hawaii vacation. While many people are not traveling, many others are. We need to be reaching out to the traveling public promoting Hawaii.

In times like these, marketing is an investment that pays off in economic activity and tax revenues. Based on the Department of Business Economic Development & Tourism ("DBEDT") 2007 visitor numbers, each visitor generates about \$150 in tax revenue. At this level, every 6,700 visitors generate \$1 million in taxes. Increased marketing is one of the few options available in the near term to help keep people working and generate tax revenue.

We urge you to support this bill. Mahalo again for this opportunity to testify.

000029