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**HOUSE COMMITTEE ON TOURISM, CULTURE & INTERNATIONAL AFFAIRS
TESTIMONY REGARDING HB 753
RELATING TO TRANSIENT ACCOMMODATIONS TAX**

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

DATE: FEBRUARY 2, 2009

TIME: 8:30AM

ROOM: 312

This measure eliminates transient accommodations tax (TAT) deposits to the general fund.

The Department of Taxation (Department) **opposes** this measure because of its fiscal implications.

The Department cannot support this measure because it eliminates all of the general fund's interest in transient accommodations taxation. The budget and general fund have been projected based upon anticipated collection of these revenues.

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.

This legislation will result in the following revenue impacts:

General Fund—Estimated revenue loss: \$12.3 million in FY10; \$14.1 million in FY11; \$16.3 million in FY12, \$18.6 million in FY13; \$21.0 million for FY14; and \$23.5 million for FY15.

Special Funds—Estimated revenue gain for tourism special fund: \$12.3 million in FY10; \$14.1 million in FY11; \$16.3 million in FY12, \$18.6 million in FY13; \$21.0 million for FY14; and \$23.5 million for FY15.

No change is expected for convention center fund. The current cap is expected to have no real effect for the current budget plan.

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**TESTIMONY OF MURRAY TOWILL
PRESIDENT
HAWAI'I HOTEL & LODGING ASSOCIATION
February 2, 2009
RE: HB 753 Relating to Transient Accommodations Tax**

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 753 Relating to Transient Accommodations Tax (TAT). We believe that increasing the percentage of TAT going to the Hawaii Tourism Authority ("HTA") to 37.9% is one of the few options available to increase funds available for needed marketing.

When the HTA was created, 37.9% of the TAT was dedicated for their use. Initially the bulk of the funds were used for marketing. In 2002 the percentage of TAT given to the HTA was reduced to 32.6%. In 2007, the percentage was increased to 34.2%.

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. Restoring HTA's percentage of the TAT to 37.9% would provide additional revenue to the organization. The 3.7 percentage point increase in TAT would equate to about \$6.4 million based on current revenue estimates.

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.

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