

SB 9 – Relating to Transit Accommodations Tax

Repeals the cap on transient accommodations tax deposits to the convention center enterprise special fund and changes the percentage amount of revenue deposited into the tourism special fund.



LINDA LINGLE
GOVERNOR
MARSHA WIENERT
TOURISM LIAISON

TOURISM LIAISON

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Statement of
MARSHA WIENERT
Tourism Liaison
Department of Business, Economic Development & Tourism
before the
SENATE COMMITTEE ON TOURISM
Tuesday, February 3, 2009
2:45 p.m.
State Capitol, Conference Room 229

in consideration of
SB 9
RELATING TO TRANSIENT ACCOMMODATIONS TAX.

Chair Nishihara, Vice Chair Galuteria and Members of the Senate Committee on Tourism.

The Department of Business, Economic Development and Tourism appreciates the intent of SB 9, but has concerns about its impact on the General Fund. SB 9 repeals the cap on transient accommodations tax (TAT) deposits to the convention center enterprise special fund and changes the percentage amount of revenue deposited into the tourism special fund.

Currently, the Hawai'i Convention Center TAT revenues are capped at \$33 million. By repealing the cap on the Hawai'i Convention Center revenues, it would allow the center to continue to upgrade and enhance the facility and cover increased operating costs. However, any resulting loss in revenue to the general fund has not been taken into consideration in the Executive Biennium Budget.

SB 9 also leaves blank the percentage amount of revenues collected that will be deposited into the tourism special fund, which goes to the Hawai'i Tourism Authority (HTA), as established under section 201B-11. When the HTA was established, their percentage share of

the TAT was 37.9 per cent. That percentage share has fluctuated through the years. Currently, the HTA share of the TAT is 34.2 per cent.

As Richard Kelly stated in his opinion piece in the Honolulu Advertiser on Friday, January 30th, today's economy calls for strong tourism marketing. Tourism marketing is an investment in jobs, tax revenue and the economic well being of everyone within these islands.

If the intent of leaving the tourism special fund percentage share blank is to decrease the amount, I would urge you to carefully consider the implications that decreased investment in tourism marketing would have on our already weak economy.

If the intent is to increase the tourism special fund percentage, I must point out that any reduction in revenue to the general fund has not been taken into consideration in the Executive Biennium Budget.

Thank you for giving me the opportunity to comment on SB 9.



LINDA LINGLE
Governor

LLOYD I. UNEBASAMI
Interim President and
Chief Executive Officer

Hawai'i Tourism Authority

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Testimony of
Lloyd Unebasami
Interim President and Chief Executive Officer
Hawai'i Tourism Authority
on
S.B. 9
Relating to Transient Accommodations Tax

Senate Committee on Tourism
Tuesday, February 3, 2009
2:45 p.m.
Conference Room 229

The Hawai'i Tourism Authority (HTA) strongly supports S.B. 9, which proposes to repeal the limit on TAT revenues deposited into the Convention Center Enterprise Special Fund (CCESF). The CCESF is financed through the Transient Accommodations Tax (TAT) and currently receives 17.3% of the TAT collected.

The HTA believes that the current \$33 million limit on deposits into the Convention Center Enterprise Special Fund is an insufficient amount to maintain this building at the level expected of a world-class facility. Major repairs such as replacement of the air conditioning system or similar projects can easily cost up to \$6 million. The Convention Center is at an age where major repairs has become more frequent.

HTA has always supported restoring the percentage of TAT revenues deposited into the Tourism Special Fund to 37.9, and has submitted legislation proposing this. We support S.B. 9, and propose that the percentage of TAT deposited into the Tourism Special Fund be changed to 37.9 per cent.

Thank you for the opportunity to testify on this measure.



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ASSOCIATION**

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(Always the 3rd Saturday in May)
www.charitywalkhawaii.org

**TESTIMONY OF MURRAY TOWILL
PRESIDENT
HAWAII HOTEL & LODGING ASSOCIATION
February 3, 2009
RE: SB 9 Relating to the Transient Accommodations Tax**

Good afternoon Chair Nishihara and members of the Senate Committee on Tourism. I am Murray Towill, President of the Hawaii Hotel & Lodging Association.

The Hawaii 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 Hawaii Hotel & Lodging Association is concerned about SB 9 Relating to the Transient Accommodations Tax (TAT). While we support the idea of repealing the cap on deposits to the convention center enterprise special fund, we are concerned about the elimination of the percentage number for TAT funds to be deposited in the tourism special fund. If the legislature's intention is to increase this percentage we are supportive, but we would oppose a reduction from the existing 34.2%.

When the HTA was created, 37.9% of the TAT was dedicated to the Tourism Special Fund. 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 increase the percentage of TAT revenue deposited in the Tourism Special Fund. Mahalo again for this opportunity to testify.

LINDA LINGLE
GOVERNOR

JAMES R. AIONA, JR.
LT. GOVERNOR



KURT KAWAFUCHI
DIRECTOR OF TAXATION

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**SENATE COMMITTEE ON TOURISM
TESTIMONY REGARDING SB 9
RELATING TO TRANSIENT ACCOMMODATIONS TAX**

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

DATE: FEBRUARY 3, 2009

TIME: 2:45PM

ROOM: 229

This measure repeals the cap on transient accommodations tax (TAT) deposits to the convention center enterprise special fund and blanks the percentage of TAT to be deposited in the tourism special fund.

The Department of Taxation (Department) **opposes this measure to the extent the percentage deposited to the tourism special fund reduces the amount of collections deposited to the general fund.**

The Department cannot support this measure if it reduces or eliminates 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 an indeterminate revenue impact to the general fund and tourism special fund due to the blank amounts.

TAXBILLSERVICE

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SUBJECT: TRANSIENT ACCOMMODATIONS, Repeal limit on convention center enterprise special fund

BILL NUMBER: SB 9

INTRODUCED BY: Nishihara

BRIEF SUMMARY: Amends HRS section 237D-6.5(b)(1) to delete the \$33,000,000 limit on moneys deposited into the convention center enterprise special fund.

Amends HRS section 237D-6.5(b)(2) to provide that ___ per cent of revenue collected shall be deposited into the tourism special fund for tourism promotion and visitor industry research

EFFECTIVE DATE: July 1, 2009

STAFF COMMENTS: The legislature by Act 253, SLH 2002, established a convention center enterprise special fund into which 17.3% of all transient accommodations tax (TAT) revenues were to be deposited. The Act also limited the amount of revenue in the convention center enterprise special fund to \$31,000,000 by providing that any amount over that amount shall be deposited into the general fund. Act 209, SLH 2006, increased the \$31,000,000 limit to \$33,000,000.

When the convention center enterprise special fund was established by Act 253, \$31 million was established as the amount necessary to operate and repay the debt service on the convention center. As the convention center ages, it appears that maintenance costs increase over time so the limit was increased to \$33,000,000 in 2006. Apparently, \$33 million is not enough to operate the center and pay debt services owed on the convention center and thus the proposed measure removes the dollar cap. If the revenue cap is removed, caution should be exercised as to not tap the convention center enterprise fund for other "worthy" or "tourist-related" uses other than those for which the convention center enterprise fund was established.

This measure also proposes to change the percentage of TAT revenue that shall be deposited to the tourism special fund for tourism promotion and visitor industry research. The legislature by Act 235, SLH 2005, increased the percentage of TAT revenue deposited into the tourism special fund from 32.6% to the 34.2% that this measure proposes to change.

It should be remembered that in addition to funding convention center expenses and tourism promotion, other siphons of TAT revenues, for the state parks special fund and a special land and development fund for the Hawaii statewide trails and access program, are based on earmarked amounts. This practice clearly demonstrates the pitfalls of earmarking funds to fund specific programs. Be it a dollar amount or a percentage of some revenue resource, there is no way lawmakers can determine what the future needs or lack of needs may be. Appropriating the funds necessary insures not only that there will be sufficient funds, but there will be oversight and accountability for the expenditure of those funds. As an alternative to earmarking of TAT revenues, the legislature may wish to repeal the earmarking and utilize a direct appropriation approach in order to ensure adequate funding for the promotion of Hawaii as well as to ensure adequate funding for the convention center.

Digested 2/2/09

WRITTEN ONLY

TESTIMONY BY GEORGINA K. KAWAMURA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON TOURISM
ON
SENATE BILL NO. 9

February 3, 2009

RELATING TO TRANSIENT ACCOMMODATIONS TAX

Senate Bill No. 9 repeals the cap on transient accommodations tax deposits to the convention center enterprise special fund and changes the percentage amount of revenue deposited into the tourism special fund.

The Department of Budget and Finance opposes this measure. The department cannot support any measure that reduces or eliminates the general fund's interest in transient accommodations taxation because it would negatively impact the State's general fund financial plan.

WRITTEN ONLY

TESTIMONY BY GEORGINA K. KAWAMURA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON TOURISM
ON
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February 3, 2009

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THE SENATE
25th LEGISLATURE
REGULAR SESSION of 2009

COMMITTEE ON TOURISM
Senator Clarence Nishihara, Chair

2/3/09
2:45 PM

SB 9
Relating to Transient Accommodations Tax (TAT)

Chair Nishihara and members of this Committee, my name is Max Sword, here on behalf of Outrigger Hotels, to offer our comments on this bill.

We support the intent of this bill in that it proposes to change the percentage of the revenues from the TAT that is deposited into the tourism special fund.

Because of the downturn in business that the industry is in now, we urge that the percentage of allocation be increased, for a short period of time. This increase would go along way in providing extra marketing funds, to help the industry turn the corner.

Mahalo for allowing me to testify.