LINDA LINGLE
GOVERNOR

JAMES R. AIONA, JR.
LT. GOVERNOR

KURT KAWAFUCHI
DIRECTOR OF TAXATION

STANLEY SHIRAKI
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 FINANCE
TESTIMONY REGARDING HB 2874
RELATING TO THE TRANSIENT ACCOMMODATIONS TAX

TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)
DATE: FEBRUARY 10, 2010
TIME: 4PM
ROOM: 308

This measure proposes to increase the transient accommodations tax on time share units to conform to the increases in transient accommodations tax made by Act 61, Session Laws of Hawaii 2009.

The Department of Taxation (Department) **opposes this tax increase.**

OPPOSED TO TAX INCREASES GENERALLY—The Department has concerns with the tax increase in this measure. The Department points out that it is a well-settled principle of economics that when an economy is slowing, increasing taxes is strongly discouraged because people will be less able to pay for the added costs of increased taxes. During economic slowing, economics suggests that money should remain in the economy in order to boost economic performance. The Department cautions further consideration of this legislation during a slowing economy based upon these economic concepts.

CONCERNED ABOUT TOURISM INDUSTRY—The Department is particularly concerned with the negative impact this tax increase could have on the State's already delicate tourism industry. Hawaii's tourism industry is hurting badly. Increasing the tax on this industry even further, thus making Hawaii more expensive and a less favorable destination, could force Hawaii's economy into further disarray.

LINDA LINGLE
GOVERNOR
MARSHA WIENERT
TOURISM LIAISON

TOURISM LIAISON

Hawai'i State Capitol, Office of the Governor, 4th Floor
Honolulu, Hawai'i 96813

Telephone: (808) 586-2362
Fax: (808) 586-0019

Statement of
MARSHA WIENERT
Tourism Liaison
Office of the Governor
before the
HOUSE COMMITTEE ON FINANCE
Wednesday, February 10, 2010
4:00 p.m.
State Capitol, Conference Room 308

in consideration of
HB 2874
RELATING TO THE TRANSIENT ACCOMMODATIONS TAX.

Chair Oshiro, Vice Chair Lee and Members of the House Committee on Finance.

HB 2874 temporarily increases the transient accommodations tax rate on time share units. While we can appreciate the intent to explore all potential sources of revenue to help balance the budget, we must oppose raising the transient accommodations tax on time share units as we did last session on transient accommodations units.

We recognize and acknowledge the need for parity, however, increasing taxes now is not in the best interest of our economic future.

Hawai'i's visitor industry has weathered two very difficult years because of the economic crisis the world, and especially, the United States has endured. Over the past two years, visitor arrivals have declined by 1.1 million visitors and visitor spending has decreased $2.8 billion.

The economic challenges have affected all geographic markets and nearly every lifestyle/lifestage segment of visitors to our islands. Unfortunately, price has been and will continue to be an important factor in the decision process for today's travelers. Competition is fierce and now is not the time to increase the transient accommodations tax on timeshare units; therefore, we must oppose this measure.

Thank you for the opportunity to comment on HB 2874.

LINDA LINGLE
Governor

MIKE MCCARTNEY
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
Mike McCartney
President and Chief Executive Officer
Hawai'i Tourism Authority
On
H.B. 2874 Relating to the Transient Accommodations Tax
H.B. 2699 Relating to Taxation
H.B. 2700 Relating to Taxation

House Committee on Finance
Wednesday, February 10, 2010
4:00 p.m.
Conference Room 308

The Hawai'i Tourism Authority (HTA) is pleased to provide comments and information regarding the following measures:

- H.B. 2874, which temporarily increases from 7/1/2010 to 6/30/2015 the transient accommodations tax (TAT) rate on time share units;
- H.B. 2699, which provides that the TAT rate shall be assessed and collected at a minimum rate of $8 per day, effective 7/1/2010; and
- H.B. 2700, which imposes the general excise tax (GET) and the TAT on gross rental proceeds received from a rewards club central fund to the operator of a transient accommodation.

The HTA is tasked with marketing and promoting Hawai'i as a visitor destination. In this global competitive environment, the HTA is concerned that the imposition of any new taxes on the visitor industry would not result in the generation of more revenues for the state as intended and instead, result in negative unintended consequences. Some examples below:

- An $8/day minimum TAT rate will raise the TAT on rooms that are usually more affordable hotel rooms as well as those rooms sold at the kama'āina rate, thereby disproportionately impacting those hotel businesses, Hawai'i resident and business travelers.

- Complimentary rooms are used by the visitor industry to attract meeting planners to bring their events to Hawai'i, educate and encourage travel agents to book Hawai'i for their clients' vacations, and give travel journalists the opportunity to publish and air stories about Hawai'i as a meeting and vacation destination. Complimentary rooms are also used by the state to attract film crews to the islands. If the TAT is imposed on complimentary rooms, this would increase costs to individual hotels and to the state which will bear the additional costs for the rooms.

- Taxing rewards club programs could have a negative impact on those visitors who would normally redeem their points for a Hawai'i vacation, thereby causing those visitors to vacation at destinations other than Hawai'i.

- As far as the HTA is aware, there is no other destination in the country that taxes complimentary rooms. Furthermore, the tax on reward program payments to hotels was just overturned in New York, calling into question the efficacy of that measure. As a result, this could impact the state's overall marketing efforts by hampering its ability to compete with other destinations during this crisis period.

In today's economic times, the travel market is very price sensitive. An increase in any segment of the visitor industry may be detrimental to the recovery of the industry and the state's overall economic picture.

Therefore, we urge you to hold these measures. Thank you for the opportunity to comment.

L E G I S L A T I V E

TAXBILLSERVICE

126 Queen Street, Suite 304 TAX FOUNDATION OF HAWAII Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: TRANSIENT ACCOMMODATION, Additional tax on time share units

BILL NUMBER: HB 2874

INTRODUCED BY: Say

BRIEF SUMMARY: Amends HRS section 237D-2 to impose an additional tax of 2% on the fair market rental of a time share vacation unit between July 1, 2010 and June 30, 2015 provided that the revenues derived from the increase shall be deposited into the general fund.

EFFECTIVE DATE: July 1, 2010

STAFF COMMENTS: The legislature by Act 61, SLH 2009, increased the transient accommodations tax (TAT) from 7.25% to 8.25% between 7/1/09 and 6/30/10 and to 9.25% between 7/1/10 to 6/30/15 with the proceeds attributable to the increase in the tax rate over 7.25% deposited into the general fund. This measure would impose an additional tax of 2% in addition to the TAT on resort time share units between July 1, 2010 and June 30, 2015 and also provide that the additional revenues derived shall also be deposited into the general fund.

While it appears that this measure is proposed to generate additional revenues to bolster the state's general fund, it is questionable whether the adoption of this measure would result in a significant boost to the general fund as the increase is aimed at a small segment of the visitor industry. Not only would the approval of this measure be unfair to resort time share units but may open the door and send a signal that it is "ok" to impose additional taxes on select segments of Hawaii's struggling economy.

As Hawaii has learned since the disaster of Hurricane Iniki and the aftermath of 9/11, timeshare units provided stability to the visitor market as those owners who made the commitment to purchasing a week or two of timeshare units continued to come. And while perhaps not paying for a hotel room, they infused capital into the state's economy with their expenditures. To propose singling out these types of accommodations for a special hit in these difficult economic times is a warning to prospective owners that perhaps Hawaii is not a place to purchase the dream vacation for the future. Should that message be heard by potential investors, Hawaii can bid adieu to that portion of the market.

Digested 2/9/10

HAWAII GOVERNMENT EMPLOYEES ASSOCIATION
AFSCME Local 152, AFL-CIO

AFSCME
LOCAL 152, AFL-CIO

RANDY PERREIRA
Executive Director
Tel: 808.543.0011
Fax: 808.528.0922

NORA A. NOMURA
Deputy Executive Director
Tel: 808.543.0003
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DEREK M. MIZUNO
Deputy Executive Director
Tel: 808.543.0055
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The Twenty-Fifth Legislature, State of Hawaii
Hawaii State House of Representatives
Committee on Finance

Testimony by
Hawaii Government Employees Association
February 10, 2010

H.B. 2874 – RELATING TO THE TRANSIENT ACCOMMODATIONS TAX

The Hawaii Government Employees' Association, AFSCME Local 152, AFL-CIO supports the purpose and intent of H.B. 2874 – Relating to the Transient Accommodations Tax. This bill temporarily increases the transient accommodations tax (TAT) on resort time share vacation units to the same rate imposed on other transient accommodations (hotels).

Last year, the Legislature increased the TAT to 8.25% starting July 1, 2009 and an additional 1% beginning July 1, 2010 through June 30, 2015. The revenue generated by these increases is deposited into the state's general fund. Timeshares were inadvertently left out, and this bill corrects that error.

Thank you for the opportunity to testify in support of H.B. 2874.

Respectfully submitted,

Nora A. Nomura
Deputy Executive Director

Memories for Generations

February 9, 2010

TO: House Finance Committee
Representative Marcus Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair

FROM: Stephen C. W. Lin

DATE: Wednesday, February 10, 2010
Conference Room 308
4:00 p.m.

RE: **HB 2874, Relating to the Transient Accommodations Tax**

Chair Oshiro and Members of the Committee:

My name is Stephen Lin and I am the Executive Vice President and Controller of Royal Aloha Vacation Club, representing over 8,000 timeshare owners, including many Hawaii residents. We oppose HB 2874's proposed increase of transient accommodation tax that will be levied upon an occupant of a timeshare resort vacation unit.

We realize that the State faces significant economic challenges due to the global economic crisis and the significant downturn of the tourism industry, the State's primary economic engine. However, during this difficult economic time, the timeshare owners, as differentiate from regular tourists, continue to support the State's economy by their continued visits and spending in Hawaii and by their continued paying of their maintenance fees. In fact, in spite of the double digit declines in visitors to Hawaii this past year, the occupancy at our Hawaii resorts stayed at the high 90%, which enabled us to provide stable employment to all our employees, without any of the layoffs that were seen in other industry.

Timeshare owners provide a reliable and stable source of income to the State's economy; however, their loyal support of the State is not without limits. As cost of Hawaii continues to escalate, especially during this tough economic times, many of them started to find Hawaii no longer affordable. In fact, in 2009, over 300 of our owners have decided to give up their timeshares because of the cost concerns. Once you lose a timeshare owner, you lose the stream of revenue of all their future visits and spending forever. The impact to the State and to our operations is great and long-lasting. I urge you not to adopt any more tax and other policies to weaken this reliable source of revenue and employment.

We believe HB2874 is harmful to timeshare owners, to Hawaii's visitor industry, to Hawaii's economy, and to the thousands of Hawaii residents who are gainfully employed by this stable industry. We respectfully ask that you hold this bill in committee.

Thank you for allowing me to offer testimony on this measure.

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February 10, 2010

TO: House Finance Committee
Representative Marcus Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair

FROM: Linda Lee Anthony
Regional Vice President
Shell Management Hawaii, Inc.

DATE: Wednesday, February 10, 2010
Conference Room 308
4:00 p.m.

RE: **HB 2874, Relating to the Transient Accommodations Tax**

Chair Oshiro and Members of the Committee:

My name is Linda Anthony and I am the Regional Vice President of Shell Management Hawaii, Inc. We manage 5 resorts throughout the state as well as Shell Owners Association, Hawaii, a points based vacation club. We oppose HB 2874. This bill will impose a tax that would begin on July 1, 2010, and end on June 30, 2015, and would be levied upon an occupant of a timeshare resort vacation unit. The amount of the tax would be assessed monthly and would be calculated by charging a two per cent tax on the fair market rental value of the unit.

Timeshare occupancy at our managed resorts has been increasing despite double digit declines in visitors to Hawaii this past year. Our strong occupancy rates indicate how important timeshare has become for Hawaii's visitor industry. Because timeshare visitors are owners, they and their guests visit our island state despite economic downturns, creating a reliable source of visitors and steady employment. With their pre-paid accommodations, timeshare guests have more discretionary income to spend on shops, restaurants, entertainment, and services. They also stay an average of 10.3 nights, longer than most hotel visitors.

We believe HB2874 is harmful to timeshare owners as well as Hawaii's visitor industry. We should be finding ways to encourage timeshare owners to visit our islands, not disincentives that will cause them to look elsewhere for their vacations. We respectfully ask that you hold this bill in committee.

Thank you for allowing me to offer testimony on this measure.

Linda Anthony

THE IMPERIAL
Hawaii Resort
205 Lewers Street
Honolulu, Hawaii
96815

February 10, 2010

TO: House Finance Committee
Representative Marcus Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair

FROM: Marilyn Verner
The Imperial Hawaii Resort

DATE: Wednesday, February 10, 2010
Conference Room 308
4:00 p.m.

RE: **<u>HB 2874, Relating to the Transient Accommodations Tax</u>**

Chair Oshiro and Members of the Committee:

My name is Marilyn Verner and I am the General Manager of The Imperial Hawaii Resort.
We oppose HB 2874. This bill will impose a tax that would begin on July 1, 2010, and end on June 30, 2015, and would be levied upon an occupant of a timeshare resort vacation unit. The amount of the tax would be assessed monthly and would be calculated by charging a two per cent tax on the fair market rental value of the unit.

Timeshare occupancy at my property has been holding steady despite double digit declines in visitors to Hawaii this past year. Our steady occupancy rates indicate how important timeshare has become for Hawaii's visitor industry. Because timeshare visitors are owners, they and their guests visit our island state despite economic downturns, creating a reliable source of visitors and steady employment. With their pre-paid accommodations, timeshare guests have more discretionary income to spend on shops, restaurants, entertainment, and services. They also stay an average of 10.3 nights, longer than most hotel visitors.

We believe HB2874 is harmful to timeshare owners as well as Hawaii's visitor industry. We should be finding ways to encourage timeshare owners to visit our islands, not disincentives that will cause them to look elsewhere for their vacations. We respectfully ask that you hold this bill in committee.

Thank you for allowing me to offer testimony on this measure.

DIAMOND RESORTS
INTERNATIONAL™

February 9, 2010

TO: House Finance Committee
Representative Marcus Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair

FROM: Jeff Pearson, Regional Manager, Diamond Resorts International

DATE: Wednesday, February 10, 2010
Conference Room 308
4:00 p.m.

RE: **HB 2874, Relating to the Transient Accommodations Tax**

Chair Oshiro and Members of the Committee:

My name is Jeff Pearson and I am Regional Manager of the Ka'anapali Beach Club resort on Maui and The Point at Poipu resort on Kauai.

We oppose HB 2874. This bill will impose a tax that would begin on July 1, 2010, and end on June 30, 2015, and would be levied upon an occupant of a timeshare resort vacation unit. The amount of the tax would be assessed monthly and would impose an additional two per cent tax on the fair market rental value of the unit. Timeshare occupancy at my properties has been relatively steady despite double digit declines in visitors to Hawaii this past year. Our steady occupancy rates indicate how important timeshare has become for Hawaii's visitor industry. Because timeshare visitors are owners, they and their guests visit our island state despite economic downturns, creating a reliable source of visitors and steady employment. With their pre-paid accommodations, timeshare guests have more discretionary income to spend on shops, restaurants, entertainment, and services. They also stay an average of 10.3 nights, longer than most hotel visitors.

We believe HB2874 is harmful to timeshare owners as well as Hawaii's visitor industry. We should be finding ways to encourage timeshare owners to visit our islands, not disincentives that will cause them to travel elsewhere for their vacations. We respectfully ask that you hold this bill in committee.

Thank you for allowing me to offer testimony on this measure.

Jeff Pearson
Regional Manager
Diamond Resorts International

Marriott.
VACATION CLUB.
Ko Olina Beach Club
OAHU, HAWAII

February 10, 2010

TO: House Finance Committee
Representative Marcus Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair

FROM: Edgar Gum, General Manager at Marriott's Ko Olina Beach Club

DATE: Wednesday, February 10, 2010
Conference Room 308
4:00 p.m.

RE: **HB 2874, Relating to the Transient Accommodations Tax**

Chair Oshiro and Members of the Committee:

My name is Edgar Gum and I am the General Manager at Marriott's Ko Olina Beach Club.
We oppose HB 2874. This bill will impose a tax that would begin on July 1, 2010, and end on June 30, 2015, and would be levied upon an occupant of a timeshare resort vacation unit. The amount of the tax would be assessed monthly and would be calculated by charging a two per cent tax on the fair market rental value of the unit.

Timeshare occupancy at my property has been holding steady despite double digit declines in visitors to Hawaii this past year. Our steady occupancy rates indicate how important timeshare has become for Hawaii's visitor industry. Because timeshare visitors are owners, they and their guests visit our island state despite economic downturns, creating a reliable source of visitors and steady employment. With their pre-paid accommodations, timeshare guests have more discretionary income to spend on shops, restaurants, entertainment, and services. They also stay an average of 10.3 nights, longer than most hotel visitors.

HB2874 is harmful to timeshare owners, those who want to purchase timeshare in Hawaii as well as Hawaii's visitor industry as a whole. We should be finding ways to encourage timeshare owners to visit our islands, not disincentives that will cause them to look elsewhere for their vacations. We respectfully ask that you hold this bill in committee.

Thank you for allowing me to offer testimony on this measure.

Edgar Gum

Edgar Gum

American Resort Development Association

February 10, 2010

TO: House Finance Committee
Representative Marcus Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair

FROM: Howard Nusbaum
President and CEO
ARDA

DATE: Wednesday, February 10, 2010
Conference Room 308
4:00 p.m.

RE: **HB 2874, RELATINGTO THE TRANSIENT ACCOMMODATIONS TAX**

Chair Oshiro and Members of the Committee:

The American Resort Development Association (ARDA) is the Washington D.C. based trade association representing the vacation ownership and resort development industries. Established in 1969, ARDA today has over 1,000 corporate members ranging from privately held firms to publicly traded companies and international corporations with expertise in shared ownership interests in leisure real estate. The ARDA membership community includes timeshare owner associations (HOAs), resort management companies, industry vendors, suppliers and consultants, as well as owners through the ARDA Resort Owners Coalition (ARDA-ROC).

ARDA opposes HB 2874. This bill will increase the TAT rate for timeshare units from July 1, 2010, to June 30, 2015, by adding 2% to the fair market rental value. This will add a significant cost to timeshare owners who own property in Hawaii and will have a chilling effect on those who want to purchase timeshare property in our state.

Timeshare owners have been paying their fair share of taxes by paying a transient accommodation fee to occupy their own timeshare unit. To our knowledge, no other owner of real property is subjected to pay an occupancy tax to occupy the real property they already own in Hawaii or in any other state in the U.S. Our research has shown that this tax may be subject to a constitutional challenge. Additionally, when the unit is not occupied by the owner, the full TAT is paid. Given rising real property tax and maintenance fee increases, timeshare owners are weary of paying more taxes. To now require an additional monthly fee to be paid to the State is unconscionable, as this new tax will represent a 24% annual increase in TAT paid to the

State by timeshare owners, or almost a 300% increase in the taxes already paid by timeshare owners today.

Why are only timeshare owners being targeted and not all real property owners? Will this tax be charged to the owner of a timeshare week staying in their own unit? If the tax is charged to the occupant of the unit, what happens if there are 8 different occupants in one month? How will the tax be collected then? These questions show how difficult it would be to implement this tax and the inherent discriminatory nature of it. This tax should not be tolerated, is unconstitutional, and should be subject to court challenge.

The past year has been difficult for Hawaii's visitor industry. Unfortunately, it appears there are more troubling times ahead as our country continues to try to pull itself out of the current, prolonged, recession. It is during these difficult economic times that timeshare visitors, who are committed to coming to the islands, help bring stability to Hawaii's visitor industry base. We need to find ways to encourage timeshare owners to visit these islands, not give disincentives that will cause them to look elsewhere for their vacations. This type of tax sends a message that they are not welcome in Hawaii.

Timeshare owners are Hawaii property owners who continue to pay a yearly maintenance fee and real property taxes. They are not transient guests and, like all other property owners in Hawaii, should not be subjected to any form of transient occupancy tax for occupying their real estate. This bill would unfairly impact a very specific portion of property owners who choose to visit Hawaii on an annual basis and contribute to Hawaii's economy. Additionally, there are over 7,000 Hawaii residents, voters and taxpayers alike, who own and use their timeshare units in Hawaii and would also be directly affected by this bill.

We believe this bill is harmful to timeshare owners as well as Hawaii's visitor industry. We respectfully ask that you hold the bill.

Thank you for allowing me to offer testimony.

ARDA
American Resort Development Association
c/o PMCI Hawaii 84 N. King Street Honolulu, HI 96817 (808) 536-5688

February 10, 2010

TO: House Finance Committee
Representative Marcus Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair

FROM: Daniel Dinell
Chair
ARDA-Hawaii

DATE: Wednesday, February 10, 2010
Conference Room 308
4:00 p.m.

RE: **HB 2874, RELATINGTO THE TRANSIENT ACCOMMODATIONS TAX**

Chair Oshiro and Members of the Committee:

ARDA-Hawaii is the local chapter of the national timeshare trade association. Hawaii's timeshare industry currently accounts for ten percent of the State's lodging inventory with 7,700 timeshare units. Timeshare has had consistent occupancy rates, even during the current tough economic times. This has made our industry a vital partner and a diverse component of the visitor industry in Hawaii.

ARDA-Hawaii strongly opposes HB 2874. This bill increases the transient accommodations tax (TAT) rate for timeshare units from July 1, 2010, to June 30, 2015, by adding 2% to the fair market rental value.

Timeshare owners are Hawaii property owners who have made a long-term commitment to Hawaii by owning Hawaii real estate. They and their guests are dependable, consistent, and stable visitors who bring substantial tax dollars to Hawaii and continue to come even during the current economic downturn. They pay a yearly maintenance fee and real property taxes. No other owner of real property in Hawaii is required to pay an occupancy tax to stay in real property that they already own. In fact, Hawaii is the only state to assess the TAT on timeshare owners in the United States.

As drafted, this bill will unfairly impact a very specific portion of Hawaii property owners who choose to visit our state on an annual basis and contribute to Hawaii's economy.

You may be interested to know that there are over 7,000 Hawaii residents who own and use their timeshare units in Hawaii and would also be directly affected by this bill.

We believe this legislation is detrimental to timeshare owners as well as Hawaii's visitor industry. Instead of creating disincentives to visit Hawaii, let's look for ways to help and strengthen our visitor industry. We respectfully ask you to table this measure.

Thank you for allowing me to present testimony on this important matter.

TIMESHARE WITH ALOHA

ARDA

February 9, 2010

Representative Marcus R. Oshiro
Chair, House Finance Committee
Hawaii State Capitol
415 South Beretania Street
Honolulu, HI 96813

Re: **Hawaii State Legislature 2010 Regular Session**
HB2874, Relating to the Transient Accommodations Tax

Dear Chairperson Oshiro and Members of the Committee:

Please permit me to submit this testimony in OPPOSITION to the captioned measure. This measure seeks to increase taxes.

This measure sends the wrong message, not only to the business community, but to those who seek to travel here. Accordingly, I respectfully oppose this measure.

Very truly yours,

Mitchell A. Imanaka
Past Chair
American Resort Development Association Hawaii

MAI:anlb

cc: Ed Thompson
549677.1

STARWOOD

9002 San Marco Court
Orlando, Florida 32819
(407) 418-7271

February 10, 2010

To: Representative Marcus Oshiro
House Committee on Finance

Fr: Robin Suarez, Vice President & Associate General Counsel for Starwood Vacation Ownership

Re: **HB 2874, Relating to Transient Accommodations Tax - Oppose**
Hawaii State Capitol Conference Room 308; **Agenda #3**; 4:00 PM

Aloha Chair Oshiro, Vice Chair Lee, and Committee members:

My name is Robin Suarez, Vice President & Associate General Counsel for Starwood Vacation Ownership, ("SVO"). Thank you for the opportunity to testify in opposition to HB2874, Relating to Transient Accommodations Tax ("TAT").

We object to this bill because it would add significant costs to timeshare owners in a fragile market. This bill would increase the TAT rate for time share units from July 1, 2010 to June 30, 2015, by adding 2% to the fair market rental value.

Timeshare projects have had a high and consistent rate of occupancy, high customer satisfaction and have become a vital part of Hawaii's tourism industry. Unfortunately, high taxes have been imposed on this vital industry and the individuals who have financially committed themselves to Hawaii on a long term basis. In some Hawaii counties, property taxes levied on timeshare owners are the highest in the nation. In addition, many states do not impose any TAT on timeshare owners, since they are using property they own. In fact, we are not aware of any other Hawaii property owner group which has been singled out for such high taxes. For example, non-resident owners of vacation condominium units pay no TAT and less real property taxes. In most circumstances, residential condominium complexes employ less staff and provide fewer local activities than timeshare resorts. The disparate tax burden imposed on timeshare owners makes no sense from a public policy standpoint.

Additional taxes will deter customers from purchasing Hawaii based timeshare products and cause existing timeshare owners to exchange their Hawaii destinations and travel to other vacation destinations. This will result in less new construction and lower occupancies at timeshare resorts, both events will have negative impacts on the local economy and local employment.

If Hawaii wants to continue to enjoy the loyalty and long term financial commitment of timeshare owners, it must ensure that the tax burden imposed on these owners is fair and reasonable.

For these reasons, we respectfully request that you do not pass this bill.

As always, I thank you for the opportunity to share our views on this matter.

Douglas Lupton
4950 Mana Place
Honolulu Hi 96816

February 10, 2010

TO: House Finance Committee
Representative Marcus Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair

FROM: Douglas Lupton
Hawaii Resident

DATE: Wednesday, February 10, 2010
Conference Room 308
4:00 p.m.

RE: **OPPOSITION to <u>HB 2874, Relating to the Transient Accommodations Tax</u>**

Chair Oshiro and Members of the Committee:

I am opposed to any tax on an individual using the real estate that he owns specifically and occupancy tax on a timeshare owner. I believe that it is unconstitutional. Would the next step be to impose an occupancy tax on the non resident owner of a vacation home?

My name is Douglas Lupton and I am a Hawaii Resident and own multiple Hawaii timeshare interests. I oppose HB 2874. This bill will impose a tax that would begin on July 1, 2010, and end on June 30, 2015, and would be levied upon an occupant of a timeshare resort vacation unit. The amount of the tax would be assessed monthly and would be calculated by charging a two per cent tax on the fair market rental value of the unit.

HB2874 is harmful to timeshare owners as well as Hawaii's visitor industry. We should be finding ways to encourage timeshare owners to visit our islands, not disincentives that will cause them to look elsewhere for their vacations. We respectfully ask that you hold this bill in committee.

Thank you for allowing me to offer testimony on this measure.

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Singapore
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February 9, 2010

House Finance Committee
Representative Marcus Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair

RE: <u>HB 2874, RELATINGTO THE TRANSIENT ACCOMMODATIONS TAX</u>
<u>HB 2699, RELATING TO TAXATION</u>
Wednesday, February 10, 2010
Conference Room 308
4:00 p.m.

Chair Oshiro and Members of the Committee:

Please allow me to introduce myself and our company. I am Tom Bell, Senior VP of Governmental Affairs for Interval International, Inc. a worldwide timeshare exchange company. As an exchange company, we do not develop or sell timeshare. Rather, our role is to allow owners of timeshare who are members of our exchange network to exchange their timeshare interests with other members, thus enabling members to visit other parts of the world for a very modest cost. We currently have approximately two million member households worldwide.

The purpose of the letter is to express our strong opposition to HB 2874, RELATING TO THE TRANSIENT OCCUPANCY TAX and HB 2699, RELATING TO TAXATION.

I will not repeat the arguments contained in the letter to this committee from the timeshare trade association, American Resort Development Association (ARDA). I will however add a few thoughts that arise from our unique position in this industry. Surveys consistently show that the exchange facet is one of the primary reasons people buy timeshare. While they may love the resort where they have purchased, sooner or later they would like to visit other places and can do so via exchange. For a low annual membership fee and exchange fee they can exchange their week for a comparable available accommodation anywhere in the world.

Many folks like to come to Hawaii. They usually stay for at least a week and spend a substantial amount while here. With the money they save from having the accommodation prepaid, they take advantage of all the locale offers including restaurants, shopping and local venues. Most locales welcome this income.

Nowhere else in the United States is a tax imposed on the stay of someone occupying an accommodation via a timeshare exchange- only in Hawaii. This latest bill would add to that tax.

We are strong supporters of Hawaii and all that it has to offer. We fear that sooner or later, particularly in tight economic times, our members may reach the conclusion that it is simply not worth the extra expense of the tax on top of the cost of airfare. The loss of income from visitors from outside the state is the last thing Hawaii needs as it tries to recover. We feel that these bills as applied to timeshare are simply penny wise and pound foolish.

We urge you to vote against these bills.

Sincerely yours,

Thomas A. Bell

Thomas A. Bell
Senior Vice President, Governmental Affairs
Interval International, Inc.

HOUSE COMMITTEE ON FINANCE

February 10, 2010

House Bill 2874 Relating to Transient Accommodations Tax

Chair Oshiro and members of the House Committee on Finance, I am Rick Tsujimura, representing Marriott Vacation Club International (Marriott).

Marriott opposes House Bill 2874, which increases the transient accommodations tax rate on timeshares by an additional two percent. During Hawaii's economic downturns and in catastrophic situations, like Hurricane Iniki, it was the timeshare industry which kept employees employed and tourism afloat. The increasing of taxes on timeshare owners when the circumstances of the state force it to seek revenues is counterproductive. Hawaii needs tourists and visitors. Be they timeshare guests or hotel guests, Hawaii can ill afford to make vacations here unaffordable.

More importantly, unlike hotel guests who can decide whether to come or not, timeshare owners have prepaid and continue to pay their fair share of all operating costs for the resort in which they are owners. To penalize them and not other condominium owners who return each year is unfair and bad policy. If the state wants more visitors it should lower the timeshare tax not increase it as timeshare owners have already demonstrated their loyalty to Hawaii, by purchasing a unit here. To disincent them is bad public policy.

For these reasons we urge the committee to hold this measure.

Thank you for the opportunity to present this testimony.