

SB 3048

Measure Title: RELATING TO TRAVEL AND TOURISM STIMULUS INITIATIVES.

Report Title: General Excise Tax; Hotel and Resort Construction and Renovation

Description: Provides a general excise tax exemption for hotel and resort construction and renovation and for the operation of these hotels and resorts for seven years after completion of construction and renovation; requires construction and renovation of a hotel facility or resort facility to be completed by 6/30/2017 to be eligible for the exemption.

NEIL ABERCROMBIE
GOVERNOR

BRIAN SCHATZ
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

FREDERICK D. PABLO
DIRECTOR OF TAXATION

RANDOLF L. M. BALDEMOR
DEPUTY DIRECTOR

To: The Honorable Donna Mercado Kim, Chair
and Members of the Senate Committee on Tourism

Date: February 7, 2012

Time: 1:15 p.m.

Place: Room 224

From: Frederick D. Pablo, Director
Department of Taxation

Re: S.B. 3048 Relating to Travel and Tourism Stimulus Initiatives

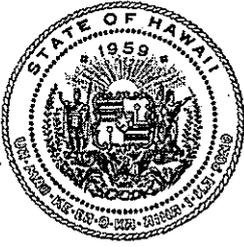
The Department of Taxation appreciates the intent of SB 3048 to stimulate renovation and construction in the State's hotel and resort industry and offers the following comments for the committee's consideration.

S.B. 3048 creates an exemption from general excise tax for amounts received by taxpayers for construction or renovation of a hotel or resort facility in Hawaii where the renovation or construction costs exceed \$50 million in aggregate during a 5-year period, provided work is completed by June 30, 2017. Further, S.B. 3048 exempts from general excise tax the gross receipts from the ownership or operation of a hotel or resort facility during the period that hotel or resort facility is under such renovation or construction, and for seven years following the completion of that renovation or construction.

The Department notes that the general excise tax exemption may only be claimed where costs exceed \$50 million in aggregate. If the aggregate cap threshold is not met until the end of the five-year period, it is possible that taxpayers may not be exempt from general excise tax (GET) in the first years of the exemption's existence. Taxpayers would have to file and pay the GET in the early years, then amend prior year returns only at that time when the aggregate threshold of \$50 million is met. Further, because the statute of limitations on claiming a refund under the GET is 3 years, it is conceivable that a taxpayer who does not reach the \$50 million aggregation until the fifth year would be eligible to claim a refund for any GET paid in the first year.

The Department also notes that many of the terms used under this new section need to be defined and clarified, and that the reporting requirement in subsection may not waive a taxpayer's right to confidentiality.

Thank you for the opportunity to provide comments.



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: www.hawaii.gov/dbedt

NEIL ABERCROMBIE
GOVERNOR

RICHARD C. LIM
DIRECTOR

MARY ALICE EVANS
DEPUTY DIRECTOR

Telephone: (808) 586-2355
Fax: (808) 586-2377

Statement of
RICHARD C. LIM
Director

Department of Business, Economic Development & Tourism
before the

SENATE COMMITTEE ON TOURISM

Tuesday, February 7, 2012

1:15 p.m.

State Capitol, Conference Room 224

in consideration of

SB 3048

RELATING TO TRAVEL AND TOURISM STIMULUS INITIATIVES

Chair Kim, Vice Chair Kouchi, and Members of the Committee.

The Department of Business, Economic Development, and Tourism (DBEDT) supports SB 3048, which proposes to exempt construction or renovation and ownership and operation of a renovated hotel facility from the General Excise Tax.

DBEDT recognizes that continuous upgrades are needed to keep our tourism facilities competitive, and investment incentives also serve to increase construction jobs and service industry jobs in Hawaii.

Thank you for the opportunity to testify on this bill.



Hawai'i Tourism Authority

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

NEIL ABERCROMBIE
Governor

MIKE MCCARTNEY
President and
Chief Executive Officer

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

Testimony of
Mike McCartney
President and Chief Executive Officer
Hawai'i Tourism Authority

on

S.B. 3048

Relating to Travel and Tourism Stimulus Initiatives

Senate Committee on Tourism
Tuesday, February 7, 2012
1:15 p.m.
Conference Room 224

The Hawai'i Tourism Authority (HTA) supports S.B. 3048, which proposes to exempt from the general excise tax, the gross income, gross rental, and gross rental proceeds from:

- The construction or renovation of a hotel facility that is completed by June 30, 2017; and
- The ownership and operation of the constructed or renovated facility for a 7-year period after the construction or renovation.

S.B. 3048 will provide a strong incentive for the upgrading of some of Hawai'i's aging hotel facilities. One of the keys to branding the Hawai'i visitor industry product and increasing visitor spending is the improvement and enhancement of the Hawai'i tourism brand, including the physical infrastructure. As such, the HTA supports S.B. 3048, which provides the private sector with investment incentives to improve hotel facilities.

Thank you for the opportunity to offer these comments.



OUTRIGGER[®]
ENTERPRISES GROUP

Hospitality • Retail • Development

THE SENATE
26th LEGISLATURE
REGULAR SESSION of 2012

COMMITTEE ON TOURISM
Senator Donna M Kim, Chair

2/7/12
Rm. 224, 1:15 PM

SB 3048
Relating to Travel & Tourism Stimulus Initiatives

&
SB 3049
Relating to Taxation

Chair Kim and Members of this Committee, my name is Max Sword, here on behalf of Outrigger Hotels and Resorts to support both SB 3048 & 3049.

Both bills offer state financial assistance to the hotel industry for renovation or construction thru a tax exemption as in SB 3048 or a tax credit thru SB 3049.

In 1999, \$1.2 million in hotel tax credits were granted, which went up to \$7.4 million in 2001. What the State got in return was a better tourism infrastructure like the Kalia Towers in the Hawaiian Hilton Village complex and other improvements in Waikiki, which shows that these tax credit works.

I believe that the facts show that this credit has done what it was intended to do – spur additional needed construction activity, either thru renovations of properties or new construction, which keep Hawaii's people employed and generate positive tax revenue for the state.

We urge your support and mahalo for allowing me to testify.



HAWAII LODGING & TOURISM

ASSOCIATION

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



**A Tradition of Kokua for 34 Years
Are You Walking???**
www.charitywalkhawaii.org

**TESTIMONY OF MUFI HANNEMANN
PRESIDENT & CEO
HAWAII LODGING & TOURISM ASSOCIATION**

February 7, 2012

Senate Bill 3048 Relating to Travel and Tourism Stimulus Initiatives

Aloha Chairperson Kim and members of the Senate Committee on Tourism. I am Mufi Hannemann, President & CEO of the Hawaii Lodging & Tourism Association (fka The Hawaii Hotel & Lodging Association).

The Hawaii Lodging & Tourism Association is a statewide association of hotels, condominiums, timeshare companies, management firms, suppliers, and other related firms and individuals. Our membership includes over 150 lodging properties representing over 48,000 rooms. Our lodging members range from the 2,680 rooms of the Hilton Hawaiian Village to the 4 rooms of the Bougainvillea Bed & Breakfast on the Big Island.

On behalf of the Hawaii Lodging & Tourism Association, permit me to offer this testimony regarding Senate Bill 3048, which proposes to provide an exemption from the general excise tax for hotel and resort construction and renovations.

The Hawaii Lodging & Tourism Association supports this measure, which we believe could stimulate the revitalization of aging hotel properties throughout the Hawaiian Islands. Investing in our lodging infrastructure is critical to our ability to compete against other destinations because it enables us to keep our hotels and resorts fresh and appealing and creates new reasons for visitors to travel here.

Government support for tourism, in the form of tax credits and other incentives and assistance, has spurred investment in such projects as the Hilton Hawaiian Village's Kalia Tower, Marriott Waikiki Beach Resort, Aston Waikiki Beach, Outrigger Wailea, Outrigger Waikoloa, Waikiki Beach Walk, and resorts in Ko Olina.

We believe Senate Bill 3048 can provide an important incentive for new investment in our visitor industry, while concurrently generating jobs for the construction industry and related businesses, and urge its passage.

Mahalo.

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: GENERAL EXCISE, Hotel construction and remodeling tax exemption

BILL NUMBER: SB 3048

INTRODUCED BY: Kim

BRIEF SUMMARY: Adds a new section to HRS chapter 237 to provide that gross income, gross rental, and gross rental proceeds earned from an eligible activity shall be exempt from general excise taxation. Defines "eligible activity" as: (1) construction or renovation of a hotel facility or resort facility in Hawaii that is completed by June 30, 2017; and (2) ownership or operation of a hotel facility or resort facility in Hawaii, the construction or renovation of which is completed by June 30, 2017, during the period of, and for seven years after, completion of the construction or renovation.

Defines "construction or renovation" as the planning, design, construction, and equipment related to new construction, alterations, remediation, or modifications of a hotel facility or resort facility; provided that: (1) the costs over a consecutive five-year period exceed \$50 million in the aggregate; and (2) the general contractor and any subcontractors are registered signatories to a registered major craft or trade union, and the laborers and mechanics are members of a construction trade union registered with the state.

Requires the taxpayer to claim and report the exemption on the annual or periodic tax returns required under the general excise tax law for the taxable year in which the gross income, gross rental, and gross rental proceeds from the eligible activity was earned. The department of taxation shall adopt rules pursuant to HRS chapter 91 for procedures for certification of an eligible activity; provided that in adopting the rules the department shall consider rules similar to those adopted pursuant to section HRS 237-29, exemptions for low-and moderate-income housing projects.

A taxpayer claiming the exemption shall file with the director of taxation by March 31 of the year in which the gross income was earned in the previous taxable year a certified, written certification of the amount of exemption claimed, the related eligible activity, and other information prescribed by the department. The department shall maintain records of the names of taxpayers claiming the exemption, the amount of the exemption claimed, and the related eligible activity and prepare an annual report of the records that shall be made public.

Further defines "department," "hotel facility" and "resort facility" for purposes of the measure.

EFFECTIVE DATE: July 1, 2012; applicable to tax years beginning after December 31, 2011

STAFF COMMENTS: The legislature by Act 195, SLH 2000, enacted a hotel construction and renovation income tax credit of 4% for hotel renovations effective for tax years beginning after 12/31/98 but before 12/31/02. Act 10 of the Third Special Session of 2001 increased the hotel renovation tax credit to 10% for construction costs incurred before 7/1/03. Act 10 also provided that the credit shall revert back to 4% on 7/1/03 and sunset on 12/31/05.

The original income tax credit was promoted on the argument that the tax credit would be an incentive for hotels to refurbish their properties in order to remain competitive with other destinations around the world. The credit amount was set at 4% to seemingly offset the 4% general excise tax. When 9/11 hit, the momentum of the crisis fostered support for an increase in the credit to 10% to supposedly keep projects which were already in progress going. However, the governor objected and threatened to veto the sweetened credit. The legislature compromised and provided that the 10% credit would be nonrefundable.

Rather than an income tax credit, this measure proposes a general excise tax exemption for: (1) the gross income received from the construction or renovation of a hotel facility or resort facility in the state that is completed by June 30, 2017; and (2) a general excise tax exemption of the gross income, gross rental or gross rental proceeds received by the hotel for a period of seven years after the completion of the construction or renovation.

It should be noted that no evaluation has been done to validate the effectiveness of previous income tax credits in spurring substantial renovations of hotel resort properties. While some may argue that this credit is necessary to make their upcoming renovations pencil out, one must ask whether or not it is the role of government to subsidize private investments. While the credit might be viewed as critical to a taxpayer's project or to the continued renovation of the resort plant, one must ask how long must all other taxpayers suffer the heavy burden of taxation so that this subsidy can be extended to a few?

It would be a very different picture if those who are asking for the subsidy would be willing to forgo other public services or make recommendations on how government can rein in spending, but that is not the case. Now, more than ever, lawmakers need to recognize that they need to set priorities for what precious few dollars taxpayers can part with to run state and local government. One must ask how lawmakers can provide subsidies like this proposal while they raised the general excise tax on all other taxpayers to pay for a transit system in Honolulu? Taking care of a few taxpayers at the expense of all other taxpayers is certainly a cavalier attitude.

More importantly, hotel owners who undertake major renovations under this proposal would also be exempt from the general excise tax for a seven-year period after the renovations are completed. Other than perhaps to sweeten the incentive to renovate, one must wonder why should the owners enjoy a seven-year holiday from the general excise tax? One must remember that liability for the general excise tax is incurred only if the taxpayer is generating gross income, in other words, the taxpayer is making sales of his goods or services. If that is the case, then the taxpayer is in a position to have the money to pay the general excise tax. If the intent of this exemption is to allow these hotel owners to have a competitive price advantage over those hotel owners who do not undertake major renovations, then taxpayers are subsidizing the competitive advantage at the expense of other owners.

Such broad exemptions from the general excise tax that are not predicated on providing tax relief tend to skew the economic landscape, shifting not only tax burdens but economic activity from one period to another. Such was the case for the general excise tax exemption for the building of affordable housing in the early 1990's. The incentive was that the first 10,000 affordable housing units built before December 31, 1994 would be exempt from the state general excise tax. As a result, developers rushed in to build as many affordable housing units as they could before that deadline. Unfortunately, just as the deadline arrived, the Japanese bubble burst and the developers were left holding huge unsold inventories of housing as there were no buyers in the market for those units.

SB 3048 - Continued

How the economic recovery will shake up is anyone's guess. Many of the hotel renovation projects which were shuttered are a by-product of not only tight capital markets but also a sluggish visitor market. Why renovate hotel rooms when the prospect for a pick-up in visitor count is dour?

Instead of subsidizing construction in order to get construction workers off the bench, government can assist in a number of other ways. Streamlining the permitting process, allowing certification of building plans by professional architects and engineers instead of approval by the building departments are but a few ways construction activity can be rejuvenated. For government subsidized housing, the approval process for bond financing and issuance of low-income housing tax credits could be enhanced rather than drawn through the lengthy approval process.

Thus, rather than tinkering with the economy, lawmakers should rein back the role of government, or in other words, get out of the way and let the market lead the way to recovery. If nothing else, these measures demonstrate that lawmakers do not understand what makes the economy run and how businesses make their decisions. It is certainly sad that groups of people who have little, if any, business experience are attempting to tell businesses how they should be run.

Digested 2/6/12



February 6, 2012

TO: SENATE COMMITTEE ON TOURISM
Senator Donna Mercado Kim, Chair
Senator Ronald D. Kouchi, Vice Chair

FROM: Daniel Dinell
ARDA – Hawaii, Chair

RE: SB 3048, Relating to Travel and Tourism Stimulus Initiatives
SB 3049, Relating to Taxation

Dear Chair Kim, Vice Chair Kouchi and members of the Committee:

ARDA-Hawaii is the local chapter of the American Resort Development Association, the national timeshare trade association, comprising of over 20 local members with 45 properties statewide. In the aggregate the timeshare industry comprises approximately 12% of the visitor units throughout the state.

ARDA-Hawaii supports both SB 3048 which provides a general excise tax exemption for hotel and resort construction and renovation and SB 3049 which provides a 10% hotel construction and remodeling tax credit construction and renovation costs. The fact that both bills include timeshare projects and properties is welcomed.

Timeshare has been and continues to be a good product for the State of Hawaii. In fact, the timeshare sector has and continues to outpace the State's overall visitor industry by two key measures: annual occupancy rates and investment in new construction. Consistent and resilient occupancy rates of timeshare properties continue to help stabilize hotel occupancy levels and mitigate negative economic impacts during periods of uncertainty. Timeshare and other alternative accommodations continue to be important components of a healthy visitor industry.

While Hawaii continues to attract its share of visitors, we are all too well aware that to continue to be a premiere resort destination depends on our ability to regenerate ourselves and offer a

quality experience to our visitors, which includes the physical infrastructure. HB 3048 and HB 3049 both provide the private sector with investment incentives to develop new and improve existing visitor properties throughout the State.

ARDA-Hawaii strongly supports passage of these two bills. Thank you for the opportunity to submit these comments.

"Timeshare With Aloha"



Marriott
VACATION CLUB
KO OLINA BEACH CLUB
OAHU, HAWAII

TO: COMMITTEE ON TOURISM
Senator Donna Mercado Kim, Chair
Senator Ronald D. Kouchi, Vice Chair

FROM: Edgar Gum, Vice President
Marriott Vacations Worldwide

DATE: February 3, 2012

RE: SB 3048 Relating to travel and tourism stimulus initiatives and
SB 3049 Relating to taxation
Hearing on February 7, 2012, 1:15 p.m.
Conference Room 224

Dear Chair Kim, Vice Chair Kouchi and members of the Committee:

Our family of Marriott Vacation Club Resorts in Hawaii support HB 3048 which provides a general excise tax exemption for hotel and resort construction and renovation. We also support HB 3049 which provides a 10% hotel construction and remodeling tax credit construction and renovation costs. Both bills will only serve to help our hotel and timeshare industry in Hawaii during this difficult period of economic recovery.

Our timeshare resorts in Hawaii continue to provide consistent employment for the citizens of Hawaii. Our timeshare owners, with their loyalty to Hawaii and immense sense of pride in their resorts, continue to return to Hawaii and provide revenues to large and small businesses, as well as tax revenues for the State of Hawaii.

HB 3048 and HB 3049 both provide lodging companies with an incentive to develop new resorts and renovate existing facilities in Hawaii, providing additional jobs, tax revenues and the continued loyalty by our visitors.

We support the passage of both bills. Thank you for reviewing our testimony.

GOODSILL ANDERSON QUINN & STIFEL

A LIMITED LIABILITY LAW PARTNERSHIP LLP

GOVERNMENT RELATIONS TEAM
GARY M. SLOVIN
MIHOKO E. ITO
CHRISTINE OGAWA KARAMATSU
ANNÉ T. HORIUCHI

ALII PLACE, SUITE 1800 • 1099 ALAKEA STREET
HONOLULU, HAWAII 96813

MAIL ADDRESS: P.O. BOX 3196
HONOLULU, HAWAII 96801

TELEPHONE (808) 547-5600 • FAX (808) 547-5880
info@goodsill.com • www.goodsill.com

INTERNET:
gslovin@goodsill.com
meito@goodsill.com
ckaramatsu@goodsill.com
ahoriuchi@goodsill.com

TO: Senator Donna Mercado Kim
Chair, Committee on Tourism
Via Email: TSMtestimony@capitol.hawaii.gov

FROM: Gary M. Slovin / Mihoko E. Ito

DATE: February 6, 2012

RE: **S.B. 3048 – Relating to Travel and Tourism Stimulus Initiative**
S.B. 3049 – Relating to Taxation
Hearing: February 7, 2012 at 1:15 pm
Conference Room 224

Dear Chair Kim and Members of the Committee on Tourism:

Wyndham Vacation Ownership offers individual consumers and business-to-business customers a broad suite of hospitality products and services through its portfolio of world-renowned brands. Wyndham has a substantial presence in Hawaii through its Wyndham Vacation Resorts and WorldMark by Wyndham brands.

Wyndham supports S.B. 3048 which provides a general excise tax exemption for hotel and resort construction and renovation and S.B. 3049 which provides a 10% hotel construction and remodeling tax credit construction and renovation costs. Both bills include timeshare projects and properties.

Timeshare is important for the State of Hawaii and is an important component of a strong visitor industry. Timeshare provides stability for the visitor industry through its occupancy rates, which mitigates negative economic impacts during periods of uncertainty. Timeshare properties have been a key to investment in new construction and renovation projects. In order for Hawaii to continue to attract visitors in the global marketplace, resorts must offer a quality experience to our visitors and maintain and improve their physical infrastructure. S.B. 3048 and S.B. 3049 both provide the private sector with investment incentives to develop new and improved existing visitor properties throughout the State.

For these reasons, Wyndham strongly supports these two bills.

Thank you very much for the opportunity to testify regarding these measures.

February 6, 2012

Submitted to:

HAWAI'I COMMITTEE ON TOURISM

Senator Donna Mercado Kim, Chair

Senator Ronald D. Kouchi, Vice Chair

Dear Senator Kim and Senator Kouchi,

On behalf of Ko Olina Resort, located on the leeward coast of O'ahu, I would like to submit testimony in support of SB 3048, a proposal that provides a General Excise Tax Exemption for new hotel and resort construction and renovation completed by June 30, 2017, and for the operation of these hotels and resorts for seven years after completion of construction and renovation.

The aforementioned SB 3048, will provide a much needed stimulus to encourage shovel ready hotel and resort construction and renovation projects in the short term, bolster our construction industry and create hundreds of permanent new visitor industry jobs. This stimulus will undoubtedly play a role in attracting interest from development partners who have considered expanding their Hawai'i portfolio in the past or are looking to enter new destination markets.

Since 1997, Ko Olina Resort, under the guidance of master developer Jeffrey R. Stone, has been instrumental in ensuring the economic stability of O'ahu's leeward coast communities and reinvigorating the island of O'ahu as a multi-resort destination. Stone introduced new national and international real estate and resort development investors to Hawai'i and Ko Olina, including Massachusetts Mutual Life Insurance, Marriott International, Brookfield Homes, The Weinberg Foundation, Alexander & Baldwin, and, most recently, Walt Disney Park and Resorts. The state-of-the-art Ko Olina Marina, the first marina to be built in Hawai'i in 30 years and the cornerstone of activities at Ko Olina, is located adjacent to the state's second busiest deep draft harbor and approved cruise ship port.

Ko Olina is projected to generate approximately 26,700 new jobs and \$5.7 billion in construction period economic benefits for the State. At full build-out, Ko Olina is capable of generating \$1.4 billion in annual economic activity for Hawai'i, support 8,100 jobs and pay \$138 million in taxes to the City & County of Honolulu and the State. SB 3048 will be a positive contribution to these efforts.

It is essential that Hawai'i does what it can to remain competitive in emerging global destinations that compete for the same tourist dollars that we do. SB 3048 provides an impetus to encourage large scale development and investment in the immediate future.

Respectfully Submitted,

Kenneth Williams

Executive Vice President, Resort Manager

KO OLINA COMMUNITY ASSOCIATION, KO OLINA RESORT ASSOCIATION



Testimony of Ernest K. Nishizaki
Executive Vice President
Kyo-ya Company, LLC

February 6, 2012

RE: SB 3048 & SB 3049

Good Afternoon Chair Mercado Kim, Vice Chair Kouchi, and members of the Senate Committee on Tourism. My name is Ernest Nishizaki and I represent Kyo-ya Company, LLC.

Kyo-ya has been part of the Hawaii community for more than 50 years. Our five Hawaii properties—The Royal Hawaiian, the Moana Surfrider, the Princess Kaiulani, the Sheraton Waikiki, and the Sheraton Maui—have an aggregate inventory of approximately 4,600 hotel rooms and suites. Our company is among Hawaii's largest private employers providing work opportunity for over 3,200 Hawaii residents.

Kyo-ya is committed to the long term success of Hawaii's visitor industry. Here in Waikiki, over the past eight years, we have invested nearly \$300 million at the Moana Surfrider, The Royal Hawaiian and the Sheraton Waikiki Resort.

In undertaking these projects, we are fully cognizant of our role as stewards of these lands and these hotels that are part of our Island history and heritage. We are committed to the long-term sustainability of our hotels and, most importantly, the continued vitality of our State's primary industry—tourism. The re-development of the Princess Ka'iulani and the Diamond Head Tower adjacent to the historic Moana Hotel, estimated to cost in excess of \$700 million, will continue our efforts to refresh our Waikiki resort offerings that will attract new and repeat visitors and allow Waikiki to compete in the global tourist destination arena.

We fully support the intent of these bills that will provide for tax incentives and/or credits for hotel and resort construction and renovation projects, which will provide additional stimulus in our efforts to make these two projects a reality. We sincerely appreciate the support and the wisdom of the Chair and the Committee in proposing this legislation.

Thank you for the opportunity to provide this testimony.

The Pacific Resource
PARTNERSHIP



Testimony of C. Mike Kido
External Affairs
The Pacific Resource Partnership

Senate Committee on Tourism
Senator Donna Mercado Kim, Chair
Senator Ronald D. Kouchi, Vice Chair

SB 3048 – RELATING TO TRAVEL AND TOURISM STIMULUS INITIATIVES
Tuesday, February 7, 2012
1:15 PM
Conference Room 224

Chair Kim, Vice Chair Kouchi and Members of the Committee:

My name is C. Mike Kido, External Affairs of the Pacific Resource Partnership (PRP), a labor-management consortium representing over 240 signatory contractors and the Hawaii Regional Council of Carpenters, formerly the Hawaii Carpenters Union.

PRP supports SB 3048 – Relating to Travel and Tourism Stimulus Initiatives which provides a general excise tax exemption for hotel and resort construction and renovation and for the operation of these hotels and resorts for seven years after completion of construction and renovation; requires construction and renovation of a hotel facility or resort facility to be completed by 6/30/2017 to be eligible for the exemption.

Senate Concurrent Resolution No.132 (2009) established a Construction Industry Task Force to determine the economic contributions of the construction industry in Hawaii and to develop a series of proposals for state actions to preserve as well as to create new jobs.

As an active participant in the Construction Industry Task Force, PRP believes it was and still is crucial to jump start Hawaii's economy with active pursuit in new construction and renovation plans that would otherwise be delayed by the prevailing financial climate.

With our economy in recession, stimulus and other initiatives are needed to counteract the negative impact on our state. A hotel construction and resort general excise tax exemption can provide excellent means to boost Hawaii's tourism and construction industries.

Testimony of C. Mike Kido
February 7, 2012
Page 2

Thank you for the opportunity to share our views with you and we respectfully ask for your support on SB 3048 – Relating to Travel and Tourism Stimulus Initiatives.

TESTIMONY OPPOSING SB3048 and SB3049
RELATING TO TRAVEL AND TOURISM STIMULUS INITIATIVES and
RELATING TO HOTEL CONSTRUCTION AND REMODELING TAX CREDIT

Tourism is the heart beat of the Hawaii economy. Most Hawaii hotels and resort accommodations are owned by non-resident investors. Accommodations are the richest part of the tourism industry earning 40% of total tourism revenues. Most of Hawaii's hotel and resort profits are sent out-of-state to non-resident investors.

On all islands, in all of our towns and villages local residents operate home-based short-stay accommodations businesses that provide local jobs, local income and a more diversified tourism product that is preferred by some visitors. Profits stay here and are reinvested into our local communities. These bed and breakfasts and vacation rental homes operate successfully and are well-accepted in residential communities around the world.

These local accommodations businesses pay transient accommodations taxes and therefore deserve to receive some support as well as those properties owned and operated by overseas investors.

We request that the names of the bills be changed to:

SB3048	<u>Visitor accommodation construction and renovation tax exemption</u>
SB3049	<u>Visitor accommodation construction and remodeling tax credit</u>

We respectfully request that the meaning of eligible activity be expanded to include construction and remodeling of bed and breakfast and vacation rental homes and other short-stay accommodations licensed by the State of Hawaii as transient accommodations.

The phrases "qualified hotel facility" and "hotel facility or resort facility in Hawaii" may be replaced with "licensed transient accommodations" throughout the documents.

It would be grossly unfair to extend these tax credits to overseas investors while denying them to small local businesses that operate in great numbers on all islands. Bed and breakfast are the most popular small business in Hawaii.

If the objective is to stimulate construction, please remember that jobs are created by small businesses and that local family-run businesses need just as much support as the large hotels.

Without the above changes, we must oppose this bill.

Mahalo,

William H. Page
President

Page Marketing, Inc.
P.O. Box 1546, Kailua, HI 96734
Ph: 808-262-6776 • will@pagemarketing.com • www.PageMarketing.com