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KIRK CALDWELL
MAYOR

EMBER LEE SHINN
MANAGING DIRECTOR DESIGNATE

GEORGETTE T. DEEMER
DEPUTY MANAGING DIRECTOR

TESTIMONY OF KIRK CALDWELL, MAYOR
CITY AND COUNTY OF HONOLULU
BEFORE THE HOUSE
COMMITTEE ON TOURISM
Monday, February 11, 2013, 9:30 a.m., Conference Room 312

HOUSE Bill 971 RELATING TO TRANSIENT ACCOMMODATIONS TAX
Position: Comment

To: The Honorable Tom Brower, Chair
and Members of the Committee on Tourism

The City & County of Honolulu respectfully submits comments regarding House Bill 971, "Relating to Transient Accommodations Tax", which proposes to eliminate the sunset of the Transient Accommodations Tax rate of 9.25 per cent and raises the rate to 11.25 per cent beginning July 1, 2013. The proposal also eliminates the sunset date for the amounts to be distributed to the tourism special fund and the counties.

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We support the elimination of the sunset clause, and look forward to the continued discussion on a possible increase of the TAT rate as a means to address the City's current and future revenue needs. However, we respectfully request that the counties' share remain at 44.8%, and not be reduced to 28.9%. We also request that the $93 million dollar cap be removed.

Some have argued that an increase in the TAT would somehow deter tourists from coming to our islands. The last TAT increase occurred on July 1, 2010, where the TAT was raised from 8.25% to 9.25%. Since that time, the Hawaii Tourism Authority (HTA) has reported that visitor arrivals and spending have steadily increased, with 2012 setting new records for visitor arrivals and spending. There is no empirical evidence to suggest that a rise in TAT will deter tourists from traveling to Hawaii. In fact, HTA has routinely stated that national and international cycles of economic growth/recession, as well as total volume of air carriers and air seats, are the main factors contributing to visitor arrivals and spending.

The proposed 2% rise in TAT is quite minimal in comparison the other fees collected by hotels. The fact is that hotels, worldwide, have for many years added extraneous, sometimes hidden, fees to their hotel room rates. These are often labeled as "resort fees", which can range anywhere from $10 to $60 a day. Other added fees utilized by hotels may include parking fees, internet fees, mini-bar fees, towel fees, in-room safe fees, luggage holding fees, telephone fees, early check-in fees, late check-out fees, grounds keeping fees, and energy surcharge fees. These added fees clearly contribute to the hotels' profit margin. Fodor's, one of the world's largest publishers of tourism and travel information, reported that in 2007, hotels worldwide raked in nearly $2 billion in surcharges and hidden fees. This amount is more than triple the $550 million in surcharges and hidden fees hotels took in 2003.

Each fiscal year, the City & County of Honolulu relies on receiving its share of the TAT in order to sustain its basic City operations. For example, the City's FY13 Proposed Operating Budget projected $41 million in TAT revenue from the state. Any decrease in this amount would adversely affect our ability to serve the public.

The issue here is fairness and equity. In FY 2012, the City & County of Honolulu generated $257.2 million, or 79.4%, of the total $323.9 million of TAT collected. With the cap imposed in FY 2012, Honolulu only received $41 million in TAT revenues, which is about 12.7%. Furthermore, the City & County of Honolulu expends a significant amount of its resources to support our tourism industry. Services provided include ocean safety, park maintenance, police protection, fire protection, bus services, and infrastructure repair and maintenance. The City also provides attractions and activities, such as the Honolulu Zoo, the Hanauma Bay Preservation Park, Royal Hawaiian Band performances, and our municipal golf courses. In FY 2012 the City spent approximately $74.1 million on visitor industry services, yet only received $41 million in TAT. The current $93 million dollar cap, as well as the proposed decrease in the counties share, will prohibit the City & County of Honolulu from receiving a fair compensation for the services it provides.

Mahalo for the opportunity to testify on this bill. Should you have any questions or concerns, please feel free to contact me at 768-4141.

Council Chair
Gladys C. Baisa

Vice-Chair
Robert Carroll

Council Members
Elle Cochran
Donald G. Couch, Jr.
Stacy Crivello
Don S. Guzman
G. Riki Hokama
Michael P. Victorino
Mike White

Director of Council Services
David M. Raatz, Jr., Esq.

COUNTY COUNCIL

COUNTY OF MAUI
200 S. HIGH STREET
WAILUKU, MAUI, HAWAII 96793
www.mauicounty.gov/council

February 8, 2013

TO: The Honorable Tom Brower, Chair
House Committee on Tourism

FROM: Gladys C. Baisa
Council Chair

SUBJECT: **HEARING OF FEBRUARY 11, 2013; TESTIMONY IN OPPOSITION TO HB 971, RELATING TO TRANSIENT ACCOMMODATIONS TAX**

Thank you for the opportunity to testify in opposition to this important measure. The purpose of this measure is to eliminate the sunset of the Transient Accommodations Tax ("TAT") rate of 9.25 per cent and raise the rate to 11.25 per cent beginning July 1, 2013. The measure also eliminates the sunset date for the amounts to be distributed to the tourism special fund and the counties.

The Maui County Council has not had the opportunity to take a formal position on this measure. Therefore, I am providing this testimony in my capacity as an individual member of the Maui County Council.

I oppose this measure for the following reasons:

1. Increasing the TAT rate from 9.25 per cent to 11.25 per cent may result in negative consequences on our tourism market. Although tourism has been increasing, Hawaii's economic recovery remains fragile and the tourism market is still volatile.

2. Reducing the amount of TAT distributed to the counties would create an unfair imbalance as costs associated with an increase in visitor counts would not be offset by a corresponding increase in revenues to that county. If the distribution of TAT does not correspond with rising visitor counts, any increase in costs for infrastructure and public safety will undoubtedly fall to the counties.

3. Maui County's primary source of revenue is derived from real property taxes. Therefore, any reduction to the current allocation of TAT revenues distributed to Maui County could unfairly burden real property tax payers.

For the foregoing reasons, I oppose this measure.

ocs:proj:legis:13legis:13testimony: hb971_paf13-047a_mmy

brower1-Dean

From:	mailinglist@capitol.hawaii.gov
Sent:	Tuesday, February 05, 2013 11:06 AM
To:	TOUtestimony
Cc:	Don.Couch@mauicounty.us
Subject:	*Submitted testimony for HB971 on Feb 11, 2013 09:30AM*

HB971
Submitted on: 2/5/2013
Testimony for TOU on Feb 11, 2013 09:30AM in Conference Room 312

Submitted By	Organization	Testifier Position	Present at Hearing
Councilmember Don Couch	Individual	Oppose	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing , improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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Council Chair
Danny A. Mateo

Vice-Chair
Joseph Pontanilla

Council Members
Gladys C. Baisa
Robert Carroll
Elle Cochran
Donald G. Couch, Jr.
G. Riki Hokama
Michael P. Victorino
Mike White

COUNTY COUNCIL
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200 S. HIGH STREET
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www.mauicounty.gov/council

Director of Council Services
Ken Fukuoka

February 8, 2013

TO: Honorable Tom Brower, Chair
House Committee on Tourism

FROM: Robert Carroll
Council Member, East Maui

Robert Carroll

DATE: Hearing date Monday, February 11, 2013

SUBJECT: **OPPOSE HB 971, RELATING TO TRANSIENT ACCOMMODATIONS TAX**

I oppose HB 971 for the reasons cited in testimony submitted by the Maui County Council Chair, and urge you to support this measure.

HAWAI'I TOURISM AUTHORITY

Hawai'i Convention Center
1801 Kalākaua Avenue, Honolulu, Hawai'i 96815
kelepona tel 808 973 2255
kelepa'i fax 808 973 2253
kahua pa'a web hawaiitourismauthority.org

Neil Abercrombie
Governor

Mike McCartney
President and Chief Executive Officer

Testimony of
Mike McCartney
President and Chief Executive Officer
Hawai'i Tourism Authority
on
H.B. 971
Relating to Transient Accommodations Tax
House Committee on Tourism
Monday, February 11, 2013
9:30 a.m.
Conference Room 312

The Hawai'i Tourism Authority (HTA) opposes H.B. 971, which proposes to increase the transient accommodations tax (TAT) rate to 11.25 per cent and also make permanent the limits on deposits into the Tourism Special Fund and the amounts transferred to the counties.

At 9.25 percent, TAT revenues this year are estimated to generate $350 million. Of that amount, $153 million will be deposited into the general fund. Further, the Report of the 2005-2007 Tax Review Commission cited a study contracted by the Commission, that 38 percent of the general excise tax is attributed to nonresidents. Based on this information, the visitor industry is already bearing a sizeable portion of Hawaii's tax revenue-generating burden.

Putting an additional tax on our visitors will diminish Hawaii's ability to compete in a price-sensitive market. Hawai'i is a leisure destination, where the visitor's spending is discretionary. As such, any increase could drive a traveler to a competing destination. It could cause us to lose momentum in the significant gains in visitor arrivals and spending experienced over the past three years. We need to ensure the continued success of our industry for the state's economy to be sustainable.

Currently, the visitor industry supports more than 166,000 jobs and we anticipate this number to grow this year. However, we are still well below the peak of more than 178,000 jobs in 2005, and the TAT increase could cause a loss of jobs in the tourism sector.

Instead of increasing the TAT, we believe that by investing in opportunities to maintain market share and diversify our tourism profile in the leisure and meetings, conventions and incentive (MCI) markets, enhancing access and neighbor island distribution, and building on the experiential assets of our people, place and culture, we can generate greater revenue that will benefit the entire state.

For these reasons we oppose H.B. 971, and request that it be held.

Mahalo for the opportunity to offer these comments.

HAWAI'I LODGING & TOURISM ASSOCIATION
2270 Kalakaua Ave., Suite 1506
Honolulu, HI 96815
Phone: (808) 923-0407
Fax: (808) 924-3843
E-Mail: hhla@hawaiihotels.org
Website: www.hawaiihotels.org

TESTIMONY OF GEORGE SZIGETI
PRESIDENT & CEO
HAWAI'I LODGING & TOURISM ASSOCIATION

February 11, 2013

RE: HB 971 Relating to the Transient Accommodations Tax

Good morning Chair Brower, Vice Chair Cachola, and members of the House Committee on Tourism.
I am George Szigeti, President & CEO of the Hawai'i Lodging & Tourism Association.

The Hawai'i 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 3,499 rooms of the Hilton Hawaiian Village Waikiki Beach Resort to the 4 rooms of the Bougainvillea Bed & Breakfast on the Big Island.

The Hawaii Lodging & Tourism Association strongly opposes SB 1202 Relating to the Transient Accommodation Tax. We oppose the elimination of the sunsetting of the 2% Transient Accommodation Tax as well as the additional 2% TAT increase. While we recognized that the State was facing serious budget problems in 2009 and that increase of the TAT would address these issues, it was not going to be a permanent increase. Although Hawaii has seen an increase in visitor counts and spending, we are also facing other factors that affect the cost of visiting Hawaii. This includes increase in government fees and permits, utilities, fuel and more. Although hotel room rates have risen slightly, they are not at the rates we saw in 2007. We have to be sure we continue to keep Hawaii a strong destination.

Competing destinations like New York City, Washington D.C., San Francisco, Chicago and Seattle also have high room tax rates and most travelers are not paying the hotel bill themselves while staying in these destinations but rather charging it to their business. On the contrary, Hawaii's visitors are on vacation and are personally responsible for that what is incurred on their hotel bill. Furthermore, in resort destinations similar to Hawaii, our competitor's tax rates are usually lower. All of these destinations also have lower room rates due to lower cost of doing business thus leading to even lower tax bills for the customer. The cost of doing business and the cost of taxes are increasingly making us less competitive.

We need to continue to be able to have a strong marketing capability to remain competitive. Destinations like Mexico, the Caribbean and Puerto Rico offer the same sun, sand and surf for less. We have seen that strong marketing of our islands also helped us survive a tourism downturn when Japan was hit by the tsunami a few years ago. Through the strong marketing efforts of the HTA and Hawaii Visitors & Convention Bureau (HVCB), visitors from other markets made up the downturn from Japan.

The visitor industry continues to be the strong economic engine for the state of Hawaii. We have to ensure that it remains strong and healthy. I appreciate this opportunity to testify.

NEIL ABERCROMBIE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR

FREDERICK D. PABLO
DIRECTOR OF TAXATION

JOSHUA WISCH
DEPUTY DIRECTOR

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

To: The Honorable Tom Brower, Chair
and Members of the House Committee on Tourism

Date: Monday, February 11, 2013
Time: 9:30 A.M.
Place: Conference Room 312, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: H.B. 971, Relating to Transient Accommodations Tax.

The Department supports H.B. 971 and offers the following information and comments for your consideration.

H.B. 971 raises the transient accommodations tax (TAT) rate from 9.25% to 11.25% and makes the rate permanent. This measure also makes the current allocations of TAT revenues under Chapter 237D, Hawaii Revised Statutes (HRS) permanent, and repeals the complimentary room tax of $10 per day.

Allowing the rate to return to 7.25% would take needed funds from the general fund. While we defer to the Department of Budget and Finance on this point, it is our understanding that making the current tax rate of 9.25% permanent is built into the state's six-year financial plan.

Hawaii has a lower hotel tax rate than many locations in the nation. While we again defer to the Department of Budget and Finance on this point, and for discussion purposes, raising the rate either one point to 10.25%, or two points to 11.25%, will allow for more stabilization in the state's financial plan, as well as address issues such as establishing the necessary fiscal reserves for the state and the state's unfunded liabilities.

Changing the wording in section 237D-2, HRS, to state the rate simply will make it easier for taxpayers to understand, and the complementary changes to section 237D-6.5, HRS, ensure that the way revenue is remitted under TAT law does not change. The Department supports repealing the complimentary room tax because it is difficult to administer and generates little revenue.

Thank you for the opportunity to provide testimony

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 ACCOMMODATIONS, Increase rate; increase disposition to general fund

BILL NUMBER: SB 1202; HB 971 (Identical)

INTRODUCED BY: SB by Kim by request; HB by Souki by request

BRIEF SUMMARY: Amends HRS section 237D-2 to provide that the transient accommodation tax (TAT) rate of 9.25% shall be effective until June 30, 2013. On July 1, 2013, the TAT rate shall be 11.25%. Eliminates the imposition of the TAT on complimentary rooms.

Amends HRS section 237D-6.5 to provide that TAT revenues shall be allocated as follows: (1) 11.1% shall be deposited into the convention center enterprise special fund; (2) 22.0% deposited into the tourism special fund; and (3) 28.9% shall be transferred to the various counties, with any remaining revenues deposited into the general fund.

EFFECTIVE DATE: July 1, 2013

STAFF COMMENTS: This is an administration measure submitted by the department of taxation TAX-27(13). The legislature by Act 61, SLH 2009, increased the 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 to be deposited into the general fund to shore up the state general fund. While this measure provides that the 9.25% rate shall be in effect until June 30, 2013, it proposes to increase the TAT rate to 11.25% on July 1, 2013 and thereafter.

This measure also alters the disposition of TAT revenues. It appears that the amount of revenues deposited into the general fund upon the enactment represents a significant increase in addition to the overall collections of the tax.

It should be remembered that in 1974, the Governor's Ad Hoc Commission on Operations Revenues and Expenditures (CORE) recommended that a tax on hotel rentals be enacted only in the case of extreme emergency as the tax would be exportable. Since that time, the TAT was adopted initially to fund the building of a state convention center. However, because a site was not designated at the time of enactment, the funds from the tax flowed into the state general fund, creating surpluses that became an embarrassment. When a site was finally selected, the tax rate was increased to 6% in order to provide a stable source for promotion of the visitor industry and provide subsidies for the maintenance of county infrastructure. Then during the economic contraction of the 1990's after the burst of the Japanese bubble, the rate was increased once again after a task force determined that adjustments needed to be made to the income tax to stimulate the economy and other responsibilities were shifted to the TAT. Understandably, the current financial crisis is one of those occurrences that the Commission alluded to in its report more than 30 years ago. However, making the TAT an on-going source of financing for the general fund, as proposed in this measure, will only lead to increased spending and expansion of government as the economy turns around. Should this occur and even more government is created dependent on a source that is subject to the swings of a national and global economy, the question must be asked - what will Hawaii do when there is another blip in the economy? Where will lawmakers in the future turn to bail out another financial crisis?

This measure would make the TAT rate of 11.25% permanent. It should be remembered that the TAT actually hurts those who depend on the discretionary spending of visitor dollars. Lodging and its attendant taxes must be paid before there is one dollar to spend on souvenirs, tours, entertainment, and food. Thus, hiking the TAT rate merely hurts the small businesses dependent on the visitors' discretionary spending.

While it may be argued that TAT dollars are being paid by visitors to Hawaii, it should be remembered that for every dollar that is spent to pay the TAT obligation, it is one less dollar that is spent in the state's economy. It is one less pair of slippers purchased or one less restaurant meal or one less catamaran ride taken by the visitors. So in the larger sense these are not "free" dollars, but dollars that could be flowing back into the economy to generate additional income for Hawaii's people and creating additional jobs for the community.

Finally, some argue that they pay much higher occupancy tax rates in other jurisdictions of the country. For those critics, there are three facts that must be recognized. First, much as visitor officials try, Hawaii is still viewed as a leisure destination, in competition for discretionary dollars of travelers who have a choice of a variety of destinations from which to choose for their vacations. Second, Hawaii is challenged in that it is the most remote inhabited place on earth and, therefore, the most costly in the sense of time expended to reach paradise at a minimum of five hours of travel. And third, except for those places that are not leisure destinations like New York, Chicago or San Francisco where room rates are competitive with those charged for Hawaii rooms, higher occupancy rates are largely attributable to the fact that room rates are lower. As a result, where those hotel room rates are higher than Hawaii's TAT rates, the absolute dollar amount produced will be lower because the average room rate is lower than those found in Hawaii. Thus, hotel room rates are not comparable because the base against which they are applied is incongruous.

More importantly, lawmakers should remember that a "deal" was made with the industry that the increase was to be temporary to help the state during the recent difficult economic situation. To now go back on its word, even though that past legislature is different from the current, certainly questions the integrity of the policymaking body. Reneging on that promise sends a loud message that the legislature is not be trusted and is a body that does not honor its word. Voters have every right to be cynical of any action taken by the legislature. Remembering what the 1974 CORE report recommended, the TAT rate should be allowed to sunset and return to 7.25% and any increase in the future should be reserved for emergency situations.

The legislature by Act 103, SLH 2011, provided that a minimum tax of $10 was to be imposed on transient accommodations provided on a complimentary or gratuitous basis. This measure proposes to repeal that imposition because the department of taxation has found this provision difficult to administer and the imposition of the minimum tax has generated little revenue. More importantly, the "minimum" rate runs counter to the underlying philosophy that the TAT is a tax on the gross income for the rental of a transient accommodation as opposed to a per unit rate that the minimum rate represents.

Digested 2/1/13

William P. Kenoi
Mayor

Walter K.M. Lau
Managing Director

Randall M. Kurohara
Deputy Managing Director

County of Hawaiʻi

Office of the Mayor

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February 11, 2013

The Honorable Tom Brower, Chair,
And Members of the House Committee on Tourism
Hawaiʻi State Capitol, Room 312
415 South Beretania Street
Honolulu, Hawaiʻi 96813

Re: House Bill 971, RELATING TO THE TRANSIENT ACCOMODATIONS TAX

Aloha, Chair Brower and Committee Members:

Thank you for this opportunity to express our strong opposition to any proposal to make permanent the temporary cap on the counties' share of transient accommodation tax revenue (TAT). Permanently capping the amount of TAT funding distributed to the counties will leave the counties without the necessary resources to provide essential services to our residents or support for the visitor industry in the years ahead.

From the time of the establishment of the TAT in 1986, the Legislature planned to make the Counties beneficiaries of the hotel room tax because lawmakers recognized the importance of county facilities and services to support and enhance the visitor experience. It was always understood that the costs of mass tourism are mostly carried by the counties.

When a visitor calls for law enforcement help, a county police officer responds. When the visitor gets into trouble in the ocean, county lifeguards or firefighters respond. When the visitor uses sewer and water service, those are county services. The visitors drive on county roads, and use county parks. As the visitor count grows, the visitors' demands on county resources also grow.

We now have more than one million tourists a year visiting the County of Hawai‘i, and the cost of delivering service rises each year. TAT collections are our second largest source of revenue, and it is critically important that TAT revenues to the counties increase as the visitor count increases. The counties need these resources to deliver the services that our residents and visitors require and expect.

The cap in TAT revenues to the counties that was imposed in 2011 was always understood to be a temporary measure, and the cap is scheduled to end in 2015. We respectfully ask that your committee remove the cap on the counties' share of TAT revenues.

Mahalo for your consideration.

Aloha,

William P. Kenoi
MAYOR

The Chamber of Commerce of Hawaii
The Voice of Business in Hawaii

Testimony to the House Committee on Tourism
Monday, February 11, 2013 at 9:30 A.M.
Conference Room 312, State Capitol

RE: HOUSE BILL 971 RELATING TO TRANSIENT ACCOMMODATIONS TAX

Chair Brower, Vice Chair Cachola, and Members of the Committee:

The Chamber of Commerce of Hawaii ("The Chamber") **opposes** HB 971 Relating to Transient Accommodations Tax.

The Chamber is the largest business organization in Hawaii, representing more than 1,100 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the “Voice of Business” in Hawaii, the organization works on behalf of its members, which employ more than 200,000 individuals, to improve the state’s economic climate and to foster positive action on issues of common concern.

The Chamber opposes making permanent the tax increase on transient accommodations. We understand that the temporary increase was necessary to address the budget shortfall during the recession, but we do not believe it should be made permanent. Furthermore, we also oppose the increase in the transient accommodations tax. We believe that this could jeopardize the long term health of the tourism industry and the jobs it has created.

We also oppose the reduction of funds going into the tourism special fund. Funding for visitor marketing and promotions is critical to both the visitor industry, and Hawaii’s overall economy. It is the strong marketing and branding program which help the tourism sustain it during the recession.

We also have some concerns that the reduction to the counties is being made permanent in this bill. This may lead counties to look for other revenue sources that may impact business, taxpayers and our community.

Thank you for this opportunity to express our views.

1132 Bishop Street, Suite 402 ◆Honolulu, Hawaii 96813 ◆ (808) 545-4369

COUNTY COUNCIL

COUNTY OF MAUI
200 S. HIGH STREET
WAILUKU, MAUI, HAWAII 96793
www.mauicounty.gov/council

February 8, 2013

TO: The Honorable Tom Brower, Chair
House Committee on Tourism

FROM: G. Riki Hokama GRH
Maui County Councilmember/Lanai seat

SUBJECT: Testimony in Opposition to HB 971 relating to Transient Accommodations Tax (Public Hearing on February 11, 2013 at 9:30 pm in House Conference Room 312)

As the Lanai member on the Maui County Council, I would like to offer testimony in opposition to the subject bill. This measure eliminates the sunset of the Transient Accommodations Tax (TAT) rate of 9.25 percent and raises the rate to 11.25 percent beginning July 1, 2013, and also eliminates the sunset date for the amounts to be distributed to the tourism special fund and the counties.

I oppose this bill for several reasons. First, now is not the time to increase the TAT from 9.25 to 11.25 percent, especially when the visitor industry is beginning to show signs of recovery in the midst of economic uncertainties (e.g. sequestration at the federal level) and a volatile tourism market. Secondly, the proposed reduction in the share of the TAT funding for the counties is unacceptable. The share of the TAT revenues going into the convention center and tourism special funds and to the counties would decrease from 95.5% to 62%, a reduction of 33.5%. On top of that, the counties share would decrease from 44.0% to 28.9%, a reduction of 15.1%. For Maui County, the TAT is an important source of revenues to maintain public services and infrastructure that are used by our visitors.

I concur with testimony in opposition submitted by Maui County Council Chair, Gladys Baisa.

Thank you for the opportunity to offer this testimony.

cc: Maui County Council Chair Gladys Baisa

starwood
Hotels and
Resorts
2155 kalakaua avenue, suite 300
honolulu, hi 96815
united states

February 11, 2013

To: Honorable Tom Brower, Chair
Honorable Romy M. Cachola, Vice Chair
House Committee on Tourism
State Capitol, Honolulu, Hawaii 96813

RE: **HB 971 - Relating to the Transient Accommodations Tax - Oppose**
Conference Room 312, 9:30 am

Aloha Chair Brower, Vice Chair Cachola, and Members of the Committee:

My name is Keith Vieira, Senior Vice President of Operations for Starwood Hotels and Resorts ("Starwood") in Hawai'i and in French Polynesia. We appreciate the opportunity to provide testimony in opposition to HB 971, Relating to the Transient Accommodations Tax ("TAT").

Starwood opposes the provision in this bill to raise the TAT rate to 11.25 % beginning July 1, 2013. However, we do support keeping the current rate at 9.25%, provided that the cap of $71 million is removed for the Hawai'i Tourism Authority ("HTA"), which markets the state world-wide and helps strengthen our visitor industry.

There is no good reason to raise the TAT as the state is not facing budget deficits as it was in 2009 when the tax was last raised. Our economy is just starting to rebound from years of decline and stagnation since the Great Recession.

Further, we are concerned that an 11.25% rate increase to the TAT will send a negative message to visitors of our state. The imposition of increased taxes and fees on the visitor industry may not result in the generation of more revenues for the state as intended and may have perverse consequences by causing a visitor to choose another less costly destination than Hawai'i, which competes with other destinations world-wide. Let's not reverse the positive momentum our state is enjoying by passing unnecessary fee and tax increases to our visitor industry.

For these reasons, we respectfully urge the Committee to reject this bill.

Sincerely,

Keith Vieira
Senior Vice President of Operations
Starwood Hotels and Resorts in Hawai'i and in French Polynesia

CLASSIC VACATIONS™

Testimony of
David Hu
President
Classic Vacations
on
HB 971
Relating to Transient Accommodations Tax

COMMITTEE ON TOURISM AND HAWAIIAN AFFAIRS
COMMITTEE ON PUBLIC SAFETY, INTERGOVERNMENTAL AND MILITARY AFFAIRS
February 11, 2013, 9AM

As President of Classic Vacations, I oppose HB 971, proposes to raise the TAT rate to 11.25% beginning July 1, 2013. However, we do support keeping the current rate at 9.25% so long as increased revenues are also appropriated to support the work of the Hawaii Tourism Authority, which markets the state world-wide and helps strengthen our visitor industry.

In a rebounding economy where consumers are starting to feel confident enough to use more of their discretionary income for leisure travel, raising the costs will only deter them from coming to Hawaii. Many other destinations have a lower overall cost (airfare, accommodations, etc..). Any attempt to raise revenue through further increases will decrease Hawaii's ability to compete in the travel industry.

For these reasons, I respectfully urge the Committee to reject this bill.

Thank you for the opportunity to testify.

David Hu

State House of Representatives
Committee on Tourism
Rep. Tom Brower, Chair
Rep. Romy M. Cachola, Vice-Chair

Re: HB 971

Representatives,

Local Jobs for Local People is an organization committed to promoting, protecting, and creating jobs for Hawaii's local people, and we stand in strong support of HB 971.

As skilled local craftspeople sit on the bench and attempt to support their families on dwindling unemployment checks, many of the large hotel chains doing business in Hawaii have brought in workers from outside of the state to renovate their properties.

We have personally seen non-local workers doing renovation and construction work at the Kauai Sheraton, Maui Hyatt, and the Alana Double Tree in Waikiki.

If these large hotel chains, and the Wall Street hedge funds and private equity groups that actually own them, won't use local workers for their projects then the hotels at the very least should pay their fair share of taxes.

Mahalo,

Nathaniel Kinney

Maui Hotel & Lodging
ASSOCIATION

Testimony of
Lisa H. Paulson
Executive Director
Maui Hotel & Lodging Association
on
HB971
Relating To Transient Accommodations Tax

<u>COMMITTEE ON TOURISM</u>
Monday, February 11, 2013, 9:30am
Room 312

The Maui Hotel & Lodging Association (MHLA) is the legislative arm of the visitor industry. Our membership includes over 140 property and allied business members in Maui County – all of whom have an interest in the visitor industry. Collectively, MHLA's membership employs over 20,000 local residents.

MHLA opposes HB971 which Eliminates the sunset of the Transient Accommodations Tax rate of 9.25 per cent and raises the rate to 11.25 per cent beginning July 1, 2013, and also eliminates the sunset date for the amounts to be distributed to the tourism special fund and the counties.

The visitor industry is the economic driver for Maui County. We are the largest employer of residents on the Island - directly employing approximately 40% of all residents (indirectly, the percentage increases to 75%).

In 2009, the state government raised the TAT with a 1% increase effective July 1, 2009, and an additional 1%, 2010. Since the July 1, 2010, guests and locals have paid a TAT of 9.25%. Coupled with the GET, guests pay a 13.41% tax on Maui. Based on the annual average cost of a hotel room and the 13.41% tax rate, the average tax bill is $32 per night. This is more than double the average nightly room tax in the United States, and the highest tax rate in the country for Visitor destinations.

Hawaii has reached the point where added taxes hurt business. This can be demonstrated in two ways. First, destinations with the highest room taxes are business destinations like New York, Washington, D.C., San Francisco, Chicago and Seattle. In these destinations, most travelers are not paying the hotel themselves but rather charging it to their businesses. In resort destinations like Hawaii, our competitor's tax rates are lower (e.g. San Diego, 10.5%; Orlando, 12.5%) These destinations also have lower room rates due to lower costs of doing business, thus leading to even lower rates for customers. The cost of doing business and the tax rates are increasingly making it more difficult to be competitive and for businesses to be profitable.

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Furthermore, we are in strong opposition to any proposal to make permanent the temporary cap on the counties' share of transient accommodation tax revenue (TAT). Permanently capping the amount of TAT funding distributed to the counties will leave the counties without the necessary resources to provide essential services to our residents or support for the visitor industry in the years ahead.

We urge you to oppose HB971.

Thank you for the opportunity to testify.

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Twenty-Seventh Legislature
Regular Session of 2013

HOUSE OF REPRESENTATIVES
Committee on Tourism
Rep. Tom Brower, Chair
Rep. Romy M. Cachola, Vice Chair
State Capitol, Conference Room 312
Monday, February 11, 2013; 9:30 a.m.

STATEMENT OF THE ILWU LOCAL 142 ON H.B. 971
RELATING TO TRANSIENT ACCOMMODATION TAX

The ILWU Local 142 opposes H.B.971, which eliminates the sunset of the Transient Accommodations Tax (TAT) rate of 9.25 per cent and raises the rate to 11.25 per cent beginning July 2013 and eliminates the sunset date for the amounts to be distributed to the tourism special fund and the counties.

A TAT of 9.25 per cent is reasonable and is what visitors and the industry have been accustomed to for the past two years as Hawaii's economy recovered from the Great Recession. Repeal of the sunset is appropriate. However, increasing the rate to 11.25 per cent may kill the goose that lays the golden egg. There is undoubtedly a saturation point for any taxes on discretionary spending. If visitors perceive that they are being singled out for taxation, they may instead choose to spend their dollars in other tropical destinations.

We also oppose continuing the caps on TAT distributions to the Tourism Special Fund and the counties.

The ILWU respectfully urges that H.B. 971 be held. Thank you for the opportunity to provide testimony on this matter.

WAIKĪKĪ IMPROVEMENT ASSOCIATION

Statement of
Rick Egged, President, Waikīkī Improvement Association
Before the
HOUSE COMMITTEE ON TOURISM
Monday, February 11 2013, 9:30 AM
State Capitol, Conference Room 312
in consideration of

RE: HB 963 & 971 Relating to Transient Accommodations Tax

Good morning Chair Brower, Vice Chair Cachola and members of the Committee:

I am Rick Egged testifying on behalf of the Waikīkī Improvement Association. WIA is a nonprofit organization representing 150 leading businesses and stakeholders in Waikīkī.

2012 was a record setting year for the visitor industry and 2013 has started strong as well. That is the good news but it does not mean we can feel comfortable that we need do nothing more than stay the course. The strong demand over the last few years are due to several major factors. The first of which is of course a favorable exchange rate that has lowered the cost of a Hawaiʻi stay. The exchange rate has of late been moving in the wrong direction.

Second increased airlift and hopefully this will continue to improve. HTA deserves a lot of credit for leading our efforts to increase airlift. Having our own regional airline, Hawaiian Airlines, is another major element in that increase.

The third major factor is investment in our product. The revitalization of Waikīkī is a huge success story. From 2001 to 2012 over three billion dollars in private funds have redeveloped large portions of Waikīkī. Although the construction of major projects in Waikīkī continues there are still areas that remain in need of redevelopment.
Over $100 million dollar of City and State mostly City funds have gone into the parks, roads and sewers of Waikīkī. Continued reinvestment in Waikīkī is crucial to maintaining our competiveness.

In addition to the structural improvements, Oahu has built a solid offering of cultural and sporting events spread throughout the year that bring millions to our state.

Another major factor is that the marketing efforts of the state with the leadership of the Hawaii Tourism Authority and the Hawaiʻi Visitors and Convention Bureau have been the best we have ever had.

But this success is fragile. If we don't continue to make advances, expand our marketing horizons, increase our research and improve our cultural and sports offerings we will inevitably slip. In the highly competitive business of tourism if we are not constantly improving our product and marketing Hawaii will lose ground.

The HTA budget should be allowed as originally intended to grow along with TAT collections. The additional funds can go to supporting increased lift, enhancing existing events, marketing those events and activities, more research on what works and does not work in both our product and marketing.

Increasing the TAT by an additional 2% is not just a bad idea it is a potential disaster. Although visitor arrivals and spending are at record levels, hotel bottom lines are still stressed. Other testifiers have provided more detail but costs particularly payroll and energy costs have continued to rise while hotel ADR's as of 2012 are still slightly below inflation adjusted historic levels.

Hotel room rates are flexible, when demand is good they go up, when demand slacks they go down to attract more visitors. Raising the combined TAT and GET tax rate to over 15% makes it among the highest in the nation. The high tax rate reduces our responsiveness to market demand.

Additionally the high tax rate and resulting loss in competiveness will be a drag on future investment. The building and renovation is not only necessary to fuelling visitor demand but also to providing thousands of construction industry jobs and of course the resulting taxes.

Increasing taxes to levels among the highest in the nation has the potential of crippling Hawai'i's visitor industry in the years to come.

Thank you for this opportunity to provide these comments on these important issues.