
A BILL FOR AN ACT

RELATING TO TAXATION.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that the tax formula for
2 levying taxes on time share units has not been adjusted since
3 the State began taxing time shares in 1998. When the
4 legislature first enacted the tax scheme on time shares, the
5 legislature sought to create tax equity between the hotel and
6 time share markets. Accordingly, the existing tax formula for
7 time shares is based on the "fair market rental value" of the
8 time share unit. Unfortunately, the existing tax formula for
9 time shares significantly underestimates the fair market rental
10 value of many time share units, particularly those units that
11 are not rented in the open market, and therefore often fails to
12 assess taxes at a fair and proper rate. Consequently, the
13 legislature finds that the formula for calculating the amount of
14 tax owed by time share owners should be updated to better
15 reflect economic and industry changes that have occurred in the
16 more than two decades since the legislature first established
17 the initial time share tax scheme.



1 The purpose of this Act is to update the formula for the
2 amount of tax collected from time shares by increasing the base
3 on which a time share is taxed from one-half of the gross daily
4 maintenance fees paid by the owner of the time share to
5 per cent of the of the gross daily maintenance fees paid by the
6 owner of the time share and are attributable to the time share
7 unit.

8 SECTION 2. Section 237D-1, Hawaii Revised Statutes, is
9 amended by amending the definition of "fair market rental value"
10 to read as follows:

11 "Fair market rental value" means an amount equal to [~~one-~~
12 ~~half~~] per cent of the gross daily maintenance fees that
13 are paid by the owner and are attributable to the time share
14 unit located in Hawaii. Gross daily maintenance fees include
15 maintenance costs, operational costs, insurance, repair costs,
16 administrative costs, taxes, other than transient accommodations
17 taxes, resort fees, and other costs including payments required
18 for reserves or sinking funds. Amounts paid for optional goods
19 and services such as food and beverage services or beach chair
20 or umbrella rentals shall be excluded from fair market rental
21 value."



1 SECTION 3. Statutory material to be repealed is bracketed
2 and stricken. New statutory material is underscored.

3 SECTION 4. This Act shall take effect on January 1, 2050.

4



Report Title:

Transient Accommodations Tax; Time Shares; Tax Base

Description:

Amends the formula for the amount of transient accommodations tax to be collected from time shares by increasing the base on which time share occupancy is taxed from one-half of the gross daily maintenance fees paid by the owner and are attributable to the time share unit to an unspecified per cent of the gross daily maintenance fees paid by the owner of the time share and are attributable to the time share unit. Takes effect on January 1, 2050. (SD1)

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