

STAND. COM. REP. NO. 1249-18

Honolulu, Hawaii
, 2018

MAR 23

RE: S.B. No. 2699
S.D. 2
H.D. 1

Honorable Scott K. Saiki
Speaker, House of Representatives
Twenty-Ninth State Legislature
Regular Session of 2018
State of Hawaii

Sir:

Your Committee on Tourism, to which was referred S.B. No. 2699, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO THE TRANSIENT ACCOMMODATIONS TAX,"

begs leave to report as follows:

The purpose of this measure is to clarify the treatment of resort fees, "gross rentals" or "gross rental proceeds", the entities subjected to the Transient Accommodations Tax (TAT); and "transient accommodations intermediary" with its registration requirements. Specifically, this measure:

- (1) Defines "resort fee" as any charge or surcharge imposed by an operator, owner, or representative thereof to a transient for the use of the transient accommodation's property, services, or amenities;
- (2) Clarifies that "gross rental" or "gross rental proceeds" includes compensation for entering into arrangements to furnish transient accommodations, but does not include fees unrelated to the transient accommodations, such as fees collected for ground transportation, airfare, meals, excursions, and tours;



- (3) Clarifies that the TAT liability shall be apportioned between the operator of a transient accommodation and transient accommodation intermediary with respect to that person's respective portion of the gross proceeds;
- (4) Amends the definition of "transient accommodations broker" to "transient accommodations intermediary" and expands the definition to include travel agencies, tour packagers, wholesale travel companies, and booking platforms;
- (5) Clarifies that the TAT is imposed on transient accommodations intermediaries who arrange accommodations at noncommissioned negotiated contract rates and operators in all transactions;
- (6) Requires transient accommodations intermediaries to obtain the consent for each of their operators and plan managers prior to registering their names and physical addresses with the Director of Taxation; and
- (7) Requires transient accommodations intermediaries to register with the Director of Taxation, prior to entering into an arrangement to furnish transient accommodations at noncommissioned negotiated contract rates and pay a one-time fee of \$15.

The Department of Taxation supported the intent of this measure. The Hawai'i Tourism Authority, Kohala Coast Resort Association, The Travel Technology Association, Maui Hotel & Lodging Association, NetChoice, Hawai'i Lodging & Tourism Association, and Independent Lodging Industry Association opposed this measure. The Tax Foundation of Hawaii submitted comments on this measure.

After careful consideration, your Committee has amended this measure by replacing its contents with the provisions of House Bill No. 2432 previously heard and passed by your Committee. Specifically, the amended measure:

- (1) Specifies that resort fees, which are any mandatory charges or surcharges imposed by an operator, owner, or representative thereof to a transient for the use of the transient accommodation's property, services, or



amenities, shall be included in the gross rental proceeds amount upon which the TAT is calculated; and

- (2) Makes the effective date of the measure July 1, 2018.

As affirmed by the record of votes of the members of your Committee on Tourism that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2699, S.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2699, S.D. 2, H.D. 1, and be referred to your Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committee on Tourism,



RICHARD H.K. ONISHI, Chair



