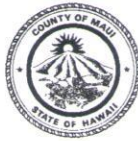


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COUNTY OF MAUI
200 S. HIGH STREET
WAILUKU, MAUI, HAWAII 96793
www.MauiCounty.us

February 6, 2018

LATE

TO: Honorable Glenn Wakai , Chair
Senate Committee on Economic Development, Tourism and Technology

FROM: Robert Carroll
Councilmember, East Maui

A handwritten signature in blue ink that reads "Robert Carroll".

DATE: February 6, 2018

SUBJECT: **HEARING ON FEBRUARY 7, 2018; TESTIMONY IN SUPPORT OF SB
2615, RELATING TO TRANSIENT ACCOMMODATIONS TAX**

Thank you for the opportunity to testify in support of this critical legislation. The purpose of this bill is to clarify that the transient accommodations tax ("TAT") shall be calculated based on the gross rental price paid by a visitor and specifies that the TAT is to be collected from operators or transient accommodations intermediaries that collect whole or partial payment for transient accommodations.

It is time to amend 237D, Hawaii Revised Statutes ("HRS") and make the statute more responsive and effective regarding the manner of marketing, booking and payments modern technological advancements have introduced. I am testifying as an individual member of the Maui County Council. I am also in support of the comments submitted in testimony by Maui County Council Chair Mike White. With this said, I SUPPORT SB 2615 and urge you to approve this measure.

**Testimony of Stephen Shur, President of the Travel Technology Association,
in Opposition to S.B. 2615:
Applying the Transient Accommodations Tax to Travel Agent Service Fees**

My name is Stephen Shur, and I am the President of the Travel Technology Association. My organization represents companies like Expedia, Priceline, Orbitz, Booking.com, TripAdvisor, and many others.

Our industry is responsible for booking hundreds of thousands of room nights in Hawaii annually. We are in strong opposition to any proposal that would impose new and burdensome taxes on the fees charged by travel agents, both online and in Hawaii.

One of the biggest myths in our industry is that online travel agents buy rooms in bulk at wholesale rates and resell them at retail rates. This is simply not true.

When a traveler books a room via a travel agent, either online or in Hawaii, the total amount the traveler pays for the room includes:

1. the room rate set by the hotel,
2. all applicable taxes based on that room rate, and
3. a service fee charged by the travel agent (online or in the community)

Further, Hawaii hotels willingly and enthusiastically partner with my members to help market unsold rooms. And they benefit tremendously from their participation with online travel sites. Online travel agents market Hawaii hotels to the world.

- OTAs market Hawaii hotels to the world but are never responsible for unsold rooms.
- The hotel controls the inventory and sets the price.
- The terms wholesale and retail have no meaning in the travel agency arena.
- There is only one room rate and that is what the hotel requires to allow a guest in the room on a given night.
- Taxes on hotel rooms in Hawaii are based on the amount the hotel requires to allow someone to occupy a room on a given night. That is the basis for the calculation of the tax.

- Hotels have many rates on any given night. If a traveler has a AAA or AARP discount, for example, the tax is based on that discounted rate.
- OTAs do not operate hotels. Online travel agents are just that, travel agents. They connect travelers with hotels and charge the traveler a service fee for the service they provide (the ability to search for, compare and book a hotel room).
- The playing field between hotels and OTAs is not “uneven”. OTAs are a valued marketing channel for large hotel chains and independent hotels.
- Hilton CEO said this in an article April 7, 2016: “The OTAs are a good partner for us to be able to access customers that we might not otherwise be able to access.”
 - <https://skift.com/2016/04/07/hilton-ceo-heaps-praise-on-his-good-partners-the-online-travel-agencies/>
- For independent hotels, the value of OTAs is even greater.
 - By partnering with OTAs, independent hotels get to compete for travelers with the major hotel chains when their property shows up on a comparison screen next to Marriott and Hilton.

Applying new taxes to the fees charged by travel agents will have the opposite of the intended effect of raising revenue. Travel agents are the engine that help steer travelers to Hawaii. 30% of all hotel bookings in the US are via online travel agents and the number is even higher for international travelers. Taxing online and community travel agents will serve as a disincentive for them to steer travelers to the state.

Leisure travelers are hyper sensitive to price. These taxes will ultimately be passed on to the consumer in the form of higher room rates. Priceline.com found that when the room rate is increased by 1%, there is a 2% reduction in bookings. Raising room rates in Hawaii through higher taxes will have a ripple effect through the state’s economy as leisure travelers choose to visit other states to save money, or not travel at all.

On average, 25% of rooms booked on OTAs are in-state bookings, which means Hawaii residents will be paying more for hotels. Small businesses who benefit from travel and tourism will be negatively impacted by these taxes as well as fewer travelers stay in Hawaii.

What is being considered here with this legislation is the imposition of a new tax on service fees in Hawaii.

This is bad for Hawaii tourism. If even just a small percentage of travelers choose to stay in California, for example, for a lower cost room or not travel at all, any revenue gained

by a tax on travel agent fees will be small compared to the tax revenue lost when a traveler doesn't visit Hawaii and spend their money on goods and services.

The proposal is particularly bad for Hawaii travel agents, tour operators, wedding and event planners who charge their clients fees for booking hotel rooms and already pay tax on the service fees (income) they charge their clients. Recently, Marriott announced that they are cutting commissions to travel agents. This means that travel agents will now be charging their clients a service fee. These fees would be subject to the tax imposed by S.B. 2615. Hawaii travel agents, wedding planners, tour operators and event planners already pay tax on their income. This would amount to a double tax on these Hawaii small businesses.

It has been said that when you tax something, you get less of it. In this case, we are talking about hotel bookings in Hawaii.

The opportunity cost of this tax is high. It's not about raising revenue. It's not about closing a loophole that doesn't exist. It's not about leveling any playing field. It's simply a new tax on services and a disincentive for travel agents, both online and in Hawaii to steer people to Hawaii hotels.

This new tax on services is a job killer, a small business killer and a burden on Hawaii businesses and citizens. I urge you to reject this proposal.

Thank you.

Stephen Shur
President
Travel Technology Association
3033 Wilson Blvd, 7th Floor
Arlington, VA 22201
703-842-3754

LATE



February 7, 2018

TO: Senate Committee on Economic Development, Tourism and Technology
The Honorable Glenn Wakai, Chair
The Honorable Brian T. Taniguchi, Vice Chair

Senate Committee on Commerce, Consumer Protection and Health
The Honorable Rosalyn H. Baker, Chair
The Honorable Jill N. Tokuda, Vice Chair

FROM: Amanda Pedigo, Vice President, Government and Corporate Affairs
Expedia, Inc.

RE: SB2615 Relating to Transient Accommodations Tax. - OPPOSE

Dear Chair Wakai, Chair Baker, and distinguished members of the Senate Committees on Economic Development, Tourism and Technology, and on Commerce, Consumer Protection and Health,

I represent the Expedia family of companies providing online travel booking to the world. We oppose this bill's effort to extend Transient Accommodations Tax (TAT) collection beyond the furnishing of the accommodations.

SB2615 would expand the collection of TAT in two ways. First, it would expand the definition of "gross rental" and "gross rental proceeds" to include additional fees collected from visitors such as booking fees, lodging fees, transient fees, and cleaning fees. This expansion applies the TAT to fees not associated with the direct furnishing of accommodations.

This bill would also expand the application of the TAT to the fee collected by a travel agent or online intermediary for arranging the reservations. Currently, the TAT is only collected for the portion of the fee that is attributable to the furnishing of the accommodations and not the fee that is attributable to the travel agency arranging the reservations. That fee does not pay for the accommodations, but rather for services provided by the online intermediary, including 24/7 customer support. Operators and Plan Manager would no longer be the only entities subject to the TAT. This expansion would result in a higher total cost to the visitor.

The definition of "Transient Accommodations Broker" is changed to "Transient Accommodations Intermediary" and would include any person or entity that markets transient accommodations through wholesale travel companies and booking platforms.



Online travel agencies provide a critical service to travelers, our hotel partners, and the destinations we market. Hotels voluntarily use our services because we market their property on a global platform helping them reach new travelers and fill rooms that would otherwise remain vacant. For example, an out-of-state visitor planning a trip to Maui might assume there is a Hyatt or Westin nearby, and there is. They could call the hotel chains' 24-hour reservation line and take care of their booking. But there is a much smaller chance that they would have heard of the Haiku Plantation Inn without the help of an online travel agency that displays multiple properties in response to a geographic search, or without calling a brick-and-mortar travel agent to help make recommendations on where to stay. In exchange for providing these search and facilitation services, we charge a service fee to the traveler.

Expedia, Inc. platforms shine an international spotlight on Hawai'i's small businesses. We connect them to a world of potential travelers on 200 travel booking sites in more than 75 countries, allowing them to transact business in foreign languages and currencies, and to be displayed side-by-side with some of the biggest hotel chains in the world. This model helps travelers, helps hotels, and helps the many other tourism-related industries, which are vital to a state's economy, like restaurants, museums, arts venues, transportation companies, and others.

Of most concern to Expedia, is Section three of the bill. This section would hold transient accommodations intermediaries responsible for providing the Department of Taxation (DoTAX) with a name and physical address within the State for its operations subject to the TAT. This provision would seem to require our company to maintain a presence in the State in order to collect and remit this expanded TAT.

This expansion of the TAT will make visiting Hawai'i even more expensive than it is today. The TAT was increased last year from 9.25% to 10.25%. We have worked hard to market Hawai'i as a desirable destination for potential visitors, but this expansion of the TAT would make Hawai'i less competitive as a travel destination.

It will also make it far, far less attractive to online businesses which market travel destinations around the world by cutting deeply into the compensation they receive for booking services. Through the GET burden on booking income, Hawai'i already imposes more tax on online agents than most other destinations. If TAT were added, transactions involving travel to Hawai'i would become far less profitable than transactions involving similar destinations. Economics dictate that online companies promote profitable destinations. This bill unintentionally undermines Hawai'i's market position.

Thank you for the opportunity to share this testimony.