

JAN 18 2019

A BILL FOR AN ACT

RELATING TO TRANSIENT ACCOMMODATIONS TAX.

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

1 SECTION 1. The legislature finds that, pursuant to Act
2 174, Session Laws of Hawaii 2014, a state-county functions
3 working group was convened to evaluate the division of duties
4 and responsibilities between the State and counties relating to
5 the provision of public services and to recommend an appropriate
6 allocation of the transient accommodations tax revenues between
7 the State and counties that properly reflects that division of
8 duties and responsibilities. The legislature also finds that
9 the transient accommodations tax has been amended frequently in
10 order to meet perceived needs and purposes. However, the
11 numerous amendments, combined with the cyclical nature of the
12 visitor industry and the tax revenues generated by the visitor
13 industry, have resulted in ongoing discussions among various
14 stakeholders, including the State, the counties, the visitor
15 industry, the Hawaii tourism authority, and other recipients or
16 potential recipients of transient accommodations tax revenues.



1 The legislature recognizes that the state-county functions
2 working group, composed of state, county, and visitor industry
3 representatives and other knowledgeable and concerned citizens,
4 assisted by experts, worked for over a year before presenting
5 its report to the legislature. The working group concluded that
6 the application of the transient accommodations tax and the
7 allocation of its revenues should be simplified and stabilized
8 so as to be clear, consistent, and predictable over time, in
9 view of the need to invest in tourism as a premier industry.
10 The working group also recommended that allocations to the
11 Turtle Bay conservation easement special fund, convention center
12 enterprise special fund, and special land and development fund
13 be maintained at their current levels and that any additional
14 state funding for these efforts be made out of state general
15 funds by separate appropriation.

16 The legislature believes that based on the working group's
17 report, except for certain allocations to specific funds, there
18 should be no fixed dollar amounts, caps, floors, or similar
19 restrictions on allocations to the State and counties of
20 transient accommodation tax revenues. Instead, both the State
21 and the county allocations should increase or decrease



1 proportionately with increasing or decreasing transient
2 accommodations tax revenues. This plan reflects a fair,
3 balanced, and reasonable compromise between competing needs for
4 scarce resources and provides a sound policy base for the
5 further administration of the transient accommodations tax and
6 its revenues.

7 The purpose of this Act is to provide a fair, consistent,
8 and predictable allocation of the balance of the transient
9 accommodations tax revenues between the State and the counties.

10 SECTION 2. Section 87A-42, Hawaii Revised Statutes, is
11 amended by amending subsection (d) to read as follows:

12 "(d) In any fiscal year subsequent to the 2017-2018 fiscal
13 year in which a county public employer's contributions into the
14 fund are less than the amount of the annual required
15 contribution, the amount that represents the excess of the
16 annual required contribution over the county public employer's
17 contributions shall be deposited into the fund from a portion of
18 all transient accommodations tax revenues collected by the
19 department of taxation under section [~~237D-6.5(b)(4).~~]

20 237D-6.5(b)(5). The director of finance shall deduct the amount
21 necessary to meet the county public employer's annual required



1 contribution from the revenues derived under section [~~237D-~~
2 ~~6.5(b)(4)~~] 237D-6.5(b)(5) and transfer the amount to the board
3 for deposit into the appropriate account of the separate trust
4 fund."

5 SECTION 3. Section 171-19, Hawaii Revised Statutes, is
6 amended by amending subsection (a) to read as follows:

7 "(a) There is created in the department a special fund to
8 be designated as the "special land and development fund".

9 Subject to the Hawaiian Homes Commission Act of 1920, as
10 amended, and section 5(f) of the Admission Act of 1959, all
11 proceeds of sale of public lands, including interest on deferred
12 payments; all moneys collected under section 171-58 for mineral
13 and water rights; all rents from leases, licenses, and permits
14 derived from public lands; all moneys collected from lessees of
15 public lands within industrial parks; all fees, fines, and other
16 administrative charges collected under this chapter and chapter
17 183C; a portion of the highway fuel tax collected under chapter
18 243; all moneys collected by the department for the commercial
19 use of public trails and trail accesses under the jurisdiction
20 of the department; transient accommodations tax revenues
21 collected pursuant to section [~~237D-6.5(b)(5)~~]; 237D-6.5(b)(4);



1 and private contributions for the management, maintenance, and
2 development of trails and accesses shall be set apart in the
3 fund and shall be used only as authorized by the legislature for
4 the following purposes:

- 5 (1) To reimburse the general fund of the State for
6 advances made that are required to be reimbursed from
7 the proceeds derived from sales, leases, licenses, or
8 permits of public lands;
- 9 (2) For the planning, development, management, operations,
10 or maintenance of all lands and improvements under the
11 control and management of the board pursuant to title
12 12, including but not limited to permanent or
13 temporary staff positions who may be appointed without
14 regard to chapter 76; provided that transient
15 accommodations tax revenues allocated to the fund
16 shall be expended as provided in section ~~[237D-~~
17 ~~6.5(b)(5);]~~ 237D-6.5(b)(4);
- 18 (3) To repurchase any land, including improvements, in the
19 exercise by the board of any right of repurchase
20 specifically reserved in any patent, deed, lease, or
21 other documents or as provided by law;



- 1 (4) For the payment of all appraisal fees; provided that
2 all fees reimbursed to the board shall be deposited in
3 the fund;
- 4 (5) For the payment of publication notices as required
5 under this chapter; provided that all or a portion of
6 the expenditures may be charged to the purchaser or
7 lessee of public lands or any interest therein under
8 rules adopted by the board;
- 9 (6) For the management, maintenance, and development of
10 trails and trail accesses under the jurisdiction of
11 the department;
- 12 (7) For the payment to private land developers who have
13 contracted with the board for development of public
14 lands under section 171-60;
- 15 (8) For the payment of debt service on revenue bonds
16 issued by the department, and the establishment of
17 debt service and other reserves deemed necessary by
18 the board;
- 19 (9) To reimburse the general fund for debt service on
20 general obligation bonds issued to finance
21 departmental projects, where the bonds are designated



to be reimbursed from the special land and development fund;

(10) For the protection, planning, management, and regulation of water resources under chapter 174C; and

(11) For other purposes of this chapter."

SECTION 4. Section 237D-6.5, Hawaii Revised Statutes, is amended by amending subsection (b) to read as follows:

"(b) Except for the revenues collected pursuant to section 237D-2(e), revenues collected under this chapter shall be distributed in the following priority, with the excess revenues to be deposited into the general fund:

(1) \$1,500,000 shall be allocated to the Turtle Bay conservation easement special fund beginning July 1, 2015, for the reimbursement to the state general fund of debt service on reimbursable general obligation bonds, including ongoing expenses related to the issuance of the bonds, the proceeds of which were used to acquire the conservation easement and other real property interests in Turtle Bay, Oahu, for the protection, preservation, and enhancement of natural



resources important to the State, until the bonds are fully amortized;

(2) \$16,500,000 shall be allocated to the convention center enterprise special fund established under section 201B-8;

(3) \$79,000,000 shall be allocated to the tourism special fund established under section 201B-11; provided that:

(A) Beginning on July 1, 2012, and ending on June 30, 2015, \$2,000,000 shall be expended from the tourism special fund for development and implementation of initiatives to take advantage of expanded visa programs and increased travel opportunities for international visitors to Hawaii;

(B) Of the \$79,000,000 allocated:

(i) \$1,000,000 shall be allocated for the operation of a Hawaiian center and the museum of Hawaiian music and dance at the Hawaii convention center; and

(ii) 0.5 per cent of the \$79,000,000 shall be transferred to a sub-account in the tourism



1 special fund to provide funding for a safety
2 and security budget, in accordance with the
3 Hawaii tourism strategic plan 2005-2015; and

4 (C) Of the revenues remaining in the tourism special
5 fund after revenues have been deposited as
6 provided in this paragraph and except for any sum
7 authorized by the legislature for expenditure
8 from revenues subject to this paragraph,
9 beginning July 1, 2007, funds shall be deposited
10 into the tourism emergency special fund,
11 established in section 201B-10, in a manner
12 sufficient to maintain a fund balance of
13 \$5,000,000 in the tourism emergency special fund;

14 ~~[(4) \$103,000,000 shall be allocated as follows: Kauai~~
15 ~~county shall receive 14.5 per cent, Hawaii county~~
16 ~~shall receive 18.6 per cent, city and county of~~
17 ~~Honolulu shall receive 44.1 per cent, and Maui county~~
18 ~~shall receive 22.8 per cent, provided that commencing~~
19 ~~with fiscal year 2018-2019, a sum that represents the~~
20 ~~difference between a county public employer's annual~~
21 ~~required contribution for the separate trust fund~~



~~established under section 87A 42 and the amount of the
county public employer's contributions into that trust
fund shall be retained by the state director of
finance and deposited to the credit of the county
public employer's annual required contribution into
that trust fund in each fiscal year, as provided in
section 87A 42, if the respective county fails to
remit the total amount of the county's required annual
contributions, as required under section 87A 43; and~~

~~(5)]~~ (4) \$3,000,000 shall be allocated to the special land
and development fund established under section 171-19;
provided that the allocation shall be expended in
accordance with the Hawaii tourism authority strategic
plan for:

(A) The protection, preservation, maintenance, and
enhancement of natural resources, including
beaches, important to the visitor industry;

(B) Planning, construction, and repair of facilities;
and



1 (C) Operation and maintenance costs of public lands,
2 including beaches, connected with enhancing the
3 visitor experience[-]; and

4 (5) Of the remaining revenues collected under this
5 chapter, forty-five per cent shall be allocated to the
6 counties, and that amount shall be distributed as
7 follows: Kauai county shall receive 14.5 per cent,
8 Hawaii county shall receive 18.6 per cent, city and
9 county of Honolulu shall receive 44.1 per cent, and
10 Maui county shall receive 22.8 per cent; provided that
11 commencing with fiscal year 2018-2019, a sum that
12 represents the difference between a county public
13 employer's annual required contribution for the
14 separate trust fund established under section 87A-42
15 and the amount of the county public employer's
16 contributions into that trust fund shall be retained
17 by the state director of finance and deposited to the
18 credit of the county public employer's annual required
19 contribution into that trust fund in each fiscal year,
20 as provided in section 87A-42, if the respective
21 county fails to remit the total amount of the county's



1 required annual contributions, as required under
2 section 87A-43.

3 All transient accommodations taxes shall be paid into the
4 state treasury each month within ten days after collection and
5 shall be kept by the state director of finance in special
6 accounts for distribution as provided in this subsection.

7 As used in this subsection, "fiscal year" means the twelve-
8 month period beginning on July 1 of a calendar year and ending
9 on June 30 of the following calendar year."

10 SECTION 5. Statutory material to be repealed is bracketed
11 and stricken. New statutory material is underscored.

12 SECTION 6. This Act shall take effect on July 1, 2019.

13
INTRODUCED BY: _____


By Request



S.B. NO. 405

Report Title:

Maui County Mayor's Package; Transient Accommodations Tax;
Counties

Description:

Amends the distribution of transient accommodations tax revenues by changing the amount distributed to the counties from a fixed sum to a percentage of the revenues collected.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

