STAND. COM. REP. NO. 420

Honolulu, Hawaii

February 14 , 201

RE: H.B. No. 631 H.D. 1

Honorable Scott K. Saiki Speaker, House of Representatives Thirtieth State Legislature Regular Session of 2019 State of Hawaii

Sir:

Your Committee on Tourism & International Affairs, to which was referred H.B. No. 631 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this measure is to:

- (1) Authorize the counties to establish a surcharge on the Transient Accommodations Tax (TAT) and establish conditions and requirements on counties that exercise that authority, including:
 - (A) Notification to the Director of Taxation after establishment of the county surcharge, who shall levy, assess, collect, and administer the surcharge;
 - (B) An unspecified surcharge cap rate on all qualifying gross rental, gross rental proceeds, and fair market rental value subject to the TAT;
 - (C) Determination by rules adopted by the Director of Taxation as to the designation of the surcharge tax district of the taxpayer;

- (D) The date when the surcharge may be levied after its establishment; and
- (E) Provisions relating to tax forms, filings, and penalties;
- (2) Change the amount of the TAT on gross rentals derived from furnishing transient accommodations to an unspecified percentage, effective on July 1, 2019;
- (3) Change the amount of the TAT on occupants of resort time share vacation rental units to an unspecified percentage, effective January 1, 2020;
- (4) For the 10.25 percent levies for transient accommodations and vacation rentals for the January 1, 2018, to December 31, 2030, period, change the end date to December 31, 2019, and establish the TAT at an unspecified percentage for the period of January 1, 2020, to December 31, 2030; and
- (5) Repeal the TAT revenue distributions to the counties.

The Maui Hotel & Lodging Association opposed this measure. The Department of Taxation (DOTAX) and Tax Foundation of Hawaii submitted comments on this measure.

Your Committee has amended this measure by:

- (1) Requiring any county that establishes a surcharge on the TAT to do so by ordinance; provided that a public hearing is conducted prior to adopting the ordinance;
- (2) Requiring the taxpayer to designate the taxation district in which the transient accommodations or resort time share vacation unit is located, rather than designating the taxation district as provided by rules adopted by the Director of Taxation;
- (3) Adding provisions relating to the procedures to collect and disburse the surcharges and the deduction of one percent of the gross proceeds of a respective county's surcharge by the Director of Finance for the costs of

assessment, collection, disposition, and oversight of the county surcharge;

- (4) Changing the effective date of the unspecified percentage levy on gross rentals derived from furnishing transient accommodations to July 1, 2021, and conforming the end of the 9.25 percent levy to June 30, 2021;
- (5) Changing the effective date of the unspecified percentage levy on occupants of a resort time share vacation rental unit to July 1, 2021, and conforming the end of the 9.25 percent levy to June 30, 2021;
- (6) Changing the effective date of this measure to January 1, 2021, rather than upon its approval, to provide DOTAX time to prepare necessary forms and instructions and modify its computer system; and
- (7) Making technical, nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Tourism & International Affairs that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 631, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 631, H.D. 1, and be referred to your Committee on Finance.

Respectfully submitted on behalf of the members of the Committee on Tourism & International Affairs,

RICHARD H.K. ONISHI, Chair

State of Hawaii House of Representatives The THIRTIETH Legislature

H 3 CR 420

Record of Votes of the Committee on Tourism & International Affairs

Bill/Resolution No.:	Committee Referral: TIA, FIN	Date:	2-5-1	9
☐ The committee is reconsidering its previous decision on the measure.				
The recommendation is to: Pass, unamended (as is) Pass, with amendments (HD) Hold Pass short form bill with HD to recommit for future public hearing (recommit)				
TIA Members	Ayes	Ayes (WR)	Nays	Excused
1. ONISHI, Richard H.K. (C)				
2. HOLT, Daniel (VC)				
2 CADANII I AADAKAWA DII				
3. CABANILLA ARAKAWA, Rida	a			
4. CACHOLA, Romy M.				
Chelloth, Rolly IV.				
5. CREAGAN, Richard P.		1. 3 - Art 5: 12		
6. DeCOITE, Lynn			er e er er er i den fil er	
7. PERRUSO, Amy A.			and the state of t	
8. OKIMOTO, Val				
TOTAL (8)	6	1		D
The recommendation is: Adopted If joint referral, did not support recommendation. committee acronym(s)				
Vice Chair's or designee's signature:				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO				