JOSH GREEN, M.D.
GOVERNOR
KE KIAʻĀINA

House Committees on Tourism and Water & Land
Thursday, February 8, 2024
11:15 a.m.
State Capitol, Conference Room 430 and Videoconference

Supports Intent
H.B. No. 2081, Relating to Government

Chairs Quinlan and Ichiyama, Vice Chairs Hussey-Burdick and Poepoe, and members of the House Committees on Tourism and Water & Land:

Thank you for the opportunity to testify on H.B. No. 2081, Relating to Government. The Office of the Governor supports the intent of H.B. No. 2081, which proposes a means of funding the protection, management, and restoration of the State's natural resources through an increase in the Transient Accommodations Tax (TAT) rate to 10.25 percent beginning on July 1, 2024; requiring a minimum $50 TAT on each transient accommodation furnished or resort time share vacation unit beginning on January 1, 2025, the taxes of which would be deposited into the general fund; and appropriating funds for the protection, management, and restoration of the State's natural resources, including native forests; native plants and animals; aquatic resources; coastal lands; and freshwater resources.

While the Office of the Governor is appreciative of proposed legislation that recognizes the immediacy of protecting and preserving Hawaii's natural resources, we prefer H.B. No. 2406, Relating to State Finances, which would establish the Climate Health and Environmental Action Special Fund (Special Fund) to minimize the impacts of, and respond to, climate crises funded by a $25 tax on transient accommodations. The Special Fund would be administered by the Chairperson of the Department of Land and Natural Resources and serve as a source of funding dedicated to address the impacts of climate change and the impacts on our environment by visitors, residents, and all who enjoy and appreciate Hawaii's natural resources.

H.B. No. 2406 would also establish a technical advisory committee to advise DLNR on strategies to prevent and respond to climate crises and appropriate $500,000 in general funds into and out of the Special Fund for its intended purposes. The Special Fund would be an assured means of providing funding for specific purposes, including wildfire prevention and response strategies, flood prevention, coral reef protection and restoration, emergency drinking water supplies, shoreline restoration and coastal management, and preparation of climate crises prevent and response strategies and plans.

H.B. No. 2406 also includes a provision for exempting certain housing used for emergencies during a state disaster from the Transient Accommodations Tax. The State has a compelling and urgent need to provide greater funding to prevent climate crises and address the shortage of affordable housing through incentives.

The Office of the Governor looks forward to continued work with your Committees and other members of the Legislature to address the gravity of climate change and the impact of Hawaii's housing crisis on our environment and people.

Thank you very much for the opportunity to provide testimony on this measure.

JOSH GREEN, M.D.
GOVERNOR | KE KIAʻĀINA

SYLVIA LUKE
LIEUTENANT GOVERNOR | KA HOPE KIAʻĀINA

STATE OF HAWAIʻI | KA MOKUʻĀINA ʻO HAWAIʻI
DEPARTMENT OF LAND AND NATURAL RESOURCES
KA ʻOIHANA KUMUWAIWAI ʻĀINA

P.O. BOX 621
HONOLULU, HAWAII 96809

DAWN N.S. CHANG
CHAIRPERSON
BOARD OF LAND AND NATURAL RESOURCES
COMMISSION ON WATER RESOURCE MANAGEMENT

RYAN K.P. KANAKAʻOLE
FIRST DEPUTY

DEAN D. UYENO
ACTING DEPUTY DIRECTOR - WATER

Testimony of
DAWN N. E. CHANG
Chairperson

Before the House Committees on
TOURISM
AND
WATER & LAND

Thursday, February 8, 2024
11:15 AM
State Capitol, Conference Room 430, Via Videoconference

In consideration of
House Bill 2081
RELATING TO GOVERNMENT

House Bill 2081 Increases the transient accommodation tax rate to 10.25 per cent beginning on 1/1/2025. This bill requires a minimum $50 transient accommodation tax to be levied for each transient accommodation or resort time share vacation unit furnished, which shall be deposited into the general fund. This bill also appropriates funds to the Department of Land and Natural Resources (Department) for protection, management, and restoration of the State's natural resources. **The Department supports this measure.**

Hawaiʻi's natural and cultural resources provide our drinking water and sustain all life on our islands, are huge economic assets and prime attractions of our tourism industry, and support the well-being, health, and identity of our communities. A University of Hawaiʻi study examined the various services provided by Oʻahu's Koʻolau forests - including drinking water recharge, flood prevention, water quality, carbon storage, biodiversity, cultural, aesthetic, recreational, and commercial values. These services were calculated to have a net present value of between $7.4 and $14 billion. Coral reefs – the first line of defense to large ocean swells - annually protect $836 million in averted damages to property and economic activity in Hawaiʻi. Despite the value of our forests and oceans, Hawaiʻi invests less than 1% of the total State budget into maintaining these assets. Additional funding is needed to bridge the gap needed to fully manage these resources.

Mahalo for the opportunity to testify on this measure.

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR

GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

STATE OF HAWAIʻI
DEPARTMENT OF TAXATION
Ka ʻOihana ʻAuhau
P.O. BOX 259
HONOLULU, HAWAIʻI 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION

TESTIMONY ON THE FOLLOWING MEASURE:
H.B. No. 2081, Relating to Government.

BEFORE THE:
House Committees on Tourism and Water & Land

DATE: Thursday, February 8, 2024
TIME: 11:15 a.m.
LOCATION: State Capitol, Room 430

Chairs Quinlan and Ichiyama, Vice-Chairs Hussey-Burdick and Poepoe, and Members of the Committees:

The Department of Taxation ("Department") offers the following comments regarding H.B. 2081 for your consideration.

H.B. 2081 amends section 237D-2, Hawaii Revises Statute (HRS), which governs imposition and rates of the transient accommodation tax (TAT). Beginning on July 1, 2024, the overall TAT rate will increase from 10.25 percent to 11.25 percent, and the threshold rate at which excess revenues will be deposited into the mass transit special fund under section 248-2.7, HRS, will increase from 9.25 percent to 10.25 percent. The measure would impose the increased TAT rate on the gross rental or gross rental proceeds derived from furnishing transient accommodations beginning on July 1, 2024, and on the fair market rental value of a resort time share vacation unit beginning January 1, 2025.

Both impositions of this new rate contain a provision stating that if the amount of TAT calculated at the new rate is less than $50, the TAT owed shall be $50 per transient accommodation, and no portion of the new $50 minimum tax shall be deemed to be in excess of the revenues realized from the levy, assessment, and collection of tax at the 10.25 percent rate. All remaining tax revenues levied, assessed, and collected at the 10.25 per cent tax rate or at the alternative $50 minimum will be deposited into the general fund. H.B. 2081 is effective July 1, 2024.

The Department notes that the imposition of an alternative minimum tax (AMT) of $50 will complicate the tax forms and recordkeeping requirements, as taxpayers will need to determine the amount of TAT owed under the 10.25 percent rate and compare that amount to the AMT for each transient accommodation. It is also unclear whether the AMT will be measured against the gross rental proceeds for each transient accommodation for the entire month, per transaction or booking, or per night.

If the intent of this bill is to impose a $50 tax on transient accommodations that are provided in exchange for points or rewards, the Department recommends replacing the provisos on page 2, lines 2 to 8, and page 3, lines 9 to 14, with a new subsection (f) to read as follows:

> <u>(f) In addition to the taxes imposed under subsections (a), (c), and (e), there is levied and shall be assessed and collected each month a tax of $50 per night on each furnishing of a transient accommodation, including transient accommodations furnished for cash or charge, or in exchange for points, miles, or other amounts provided through a membership, loyalty, or rewards program.</u>

The Department further notes that this bill would change the allocation of TAT revenues, which will cause significant administrative difficulties for the Department. Currently, the Department determines the TAT allocations based on the total TAT actually collected for the month. Based on the total TAT collected, a formula is applied to determine the amount to be distributed to the mass transit special fund in accordance with section 237D-2(e), HRS. The remainder of the TAT collected is allocated to various special funds and the general fund based on the amounts specified in section 237D-6.5, HRS.

This bill would require the Department to identify the amounts of TAT reported from the $50 AMT, aggregate those amounts, reconcile the amounts reported with the amounts collected, then deduct that amount from the allocation to the mass transit special fund. This will require a fundamental change in the way the Department accounts for and reports on TAT revenues. This would also create administrative difficulties, as the amount of tax collected often does not match the amount of tax reported for various reasons, such as errors in payment or reporting, or intentional underpayment. Each of these discrepancies will need to be reconciled to determine the proper amount of allocation.

Based on the foregoing, the Department requests that the allocation to the mass transit special fund be amended by specifying a set percentage or dollar amount of total TAT revenue collected. Specifically, the Department requests the following amendments:

1. Delete the proviso in subsection (a), on page 2, lines 5 to 8, which provides "and no portion of the $50 shall be deemed to be in excess of the revenues realized from the levy, assessment, and collection of tax at the 10.25 per cent rate for purposes of subsection (e)."

2. Delete the proviso in subsection (c), on page 3, lines 11 to 14, which provides "and no portion of the $50 shall be deemed to be in excess of the revenues realized from the levy, assessment, and collection of tax at the 10.25 per cent rate for purposes of subsection (e)."

3. Amend subsection (e), on page 3, line 20, to page 5, line 4, to specify the percent (or dollar amount) of total tax revenues collected that will be deposited into the mass transit special fund, to read as follows:

(e) Notwithstanding the tax rates established in subsections [~~(a)(5)~~] (a)(6) and [~~(c)(3),~~] (c)(4), the tax rates levied, assessed, and collected pursuant to subsections (a) and (c) shall be [~~10.25~~] 11.25 per cent for the period beginning on January 1, 2018, to December 31, 2030; provided that:

(1) [~~The~~] ___ per cent of the tax revenues levied, assessed, and collected pursuant to this [~~subsection that are in excess of the revenues realized from the levy, assessment, and collection of tax at the 9.25 per cent rate~~] section shall be deposited quarterly into the mass transit special fund established under section 248-2.7; and

(2) If a court of competent jurisdiction determines that the amount of county surcharge on state tax revenues deducted and withheld by the State, pursuant to section 248-2.6, violates statutory or constitutional law and, as a result, awards moneys to a county with a population greater than five hundred thousand, then an amount equal to the monetary award shall be deducted and withheld from the tax revenues deposited under paragraph (1) into the mass transit special fund, and those funds shall be a general fund realization of the State.

> The remaining tax revenues levied, assessed, and collected [~~at the 9.25 per cent tax rate pursuant to subsections (a) and (c)~~] shall be deposited into the general fund in accordance with section 237D-6.5(b).

Finally, the Department requests that the effective date of this measure be postponed to provide the Department sufficient time to make the necessary form, instruction, computer system, and administrative changes that this proposal will require, and to provide taxpayer education about the forthcoming change.

The Department notes that if this bill is amended to impose a flat tax on transient accommodations paid for by points or rewards, and the bill is amended by allocating a set percentage or dollar amount of total TAT collected to the mass transit special fund, the Department will be able to administer those changes by January 1, 2025. If, however, the bill imposes an AMT that will apply to cash and non-cash transactions, or if the Department will be required to exclude revenues collected from the AMT from the revenues allocated to the mass transit special fund, the Department requests an effective date of January 1, 2026 to allow the Department sufficient time to make the significant system changes needed.

Thank you for the opportunity to provide comments on this measure.

Keʻena Kuleana Hoʻokipa O Hawaiʻi
1801 Kalākaua Avenue
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kelepona tel (808) 973-2255
kelepaʻi fax (808) 973-2253
hawaiitourismauthority.org

TESTIMONY OF DANIEL NĀHOʻOPIʻI
INTERIM PRESIDENT & CEO, HAWAIʻI TOURISM AUTHORITY
BEFORE THE HOUSE COMMITTEES ON TOURISM AND WATER & LAND
Thursday, February 8, 2024 11:15 a.m.
In consideration of
HB 2081
RELATING TO GOVERNMENT

Aloha Chairs Quinlan and Ichiyama, Vice Chairs Hussey-Burdick and Poepoe, and Members of the Committees,

The Hawaiʻi Tourism Authority (HTA) appreciates the opportunity to offer comments on HB2081, to increase the Transient Accommodations Tax rate, set a mininum tax, and appropriate funds to the Department of Land and Natural Resources for the protection, management, and restoration of Hawaiʻi's natural resources.

The ethic of mālama – care and stewardship – is the core of our visitor education efforts. Hawaiʻi's environment is a treasure, and it is our collective kuleana to protect it for the generations to come. Fulfilling that responsibility takes funding. We agree with the intent of this legislation to fund natural resource stewardship as it is in alignment with our Strategic Plan priorities in the Natural Resources pillar, as well as action items in our community-generated Destination Management Action Plans.

There are several proposals before the Legislature this session for a green fee or tax, and we are continuing to solicit feedback and examine which model makes the most sense for the industry. Whichever model this Legislature decides upon to facilitate visitor contributions to the care of our natural resources, we advocate the timely and transparent reinvestment of those collections into improving the experience for kamaʻāina and visitors alike enjoying our natural environment – the more direct the better.

We stand ready to assist in educating visitor industry stakeholders and visitors on the implications of this measure, and we defer to our colleagues at the Department of Taxation as well as the Department of Land and Natural Resources on matters related to its implementation.

Mahalo for the opportunity to provide these comments.

HB-2081
Submitted on: 2/4/2024 8:41:03 PM
Testimony for TOU on 2/8/2024 11:15:00 AM

Submitted By	Organization	Testifier Position	Testify
Tamara Paltin	Individual	Support	Written Testimony Only

Comments:

Support

Kohala Coast
RESORT ASSOCIATION

February 2, 2024

Linda Ichiyama, Chair
Committee on Water and Land
Sean Quinlan, Chair
Committee on Tourism
House of Representatives
Hawaii State Legislature

Opposition to HB2081

Dear Chair Ichiyama, Chair Quinlan, and Members of the Committee on Water and Land and Committee on Tourism,

Thank you for the opportunity to provide our testimony in opposition to HB2081.

In 2018, the Hawaii State Legislature increased the state transient accommodations tax (TAT) to 10.25% to support the Honolulu Rail project. Then, in 2021, even though the visitor industry was still reeling from the impacts of forced shutdowns during the COVID-19 pandemic, the Hawaii State Legislature gave the counties the authority to collect their own TAT. That new 3% county TAT was to offset the portion of TAT which the state had previously given to the counties to mitigate the impacts of visitors on local resources. The state then kept a larger percentage of overall TAT collections in the general fund. In January 2022, just two short years ago, the counties began collecting that additional 3% - bringing total TAT collections up to 13.25%

HB2081 now proposes raising the TAT by another 1%, or establishing a minimum tax collection of $50/per person, to support the Department of Land and Natural Resources (DLNR). **We oppose this increase, but not the investment in our natural resources.**

Billions of dollars in TAT from visitors has flowed into the state's general fund during the last 5 years. These funds were originally intended to be directed to State and County Departments to offset visitor impact, however since TAT currently flows directly to the general fund it is impossible to track the impact these funds have on our infrastructure and beautification projects. For example In 2009, when the TAT was 7.25%, only 3.7% of collections went into the general fund. In 2018, when the TAT became 10.25%, 56.8% of collections went into the general fund. And in 2023, more than $1 billion was collected in state TAT, and more than 90% went into the general fund. **Please use the TAT you already collect to adequately protect, maintain and preserve our natural resources.**

Hawaii already has a reputation of having the highest visitor taxes of any destination in the world. Not only are there taxes on visitor accommodations, but visitors must also pay the general excise tax (GET), landing fees and taxes at our airports, rental car fees and taxes on our roads, ocean tourism fees to support coral reef management, parking fees at Hapuna Beach and Akaka Falls State Parks – the list goes on and on. This proposed increase would generate headlines around the globe, further hampering our economic recovery, which is still not at the same levels as pre-pandemic and was severely impacted by the wildfires last summer.

Hawaii residents and visitors both deserve a full accounting of the total fees that visitors pay when they come to our state. They also deserve to know where those fees are allocated. The Hawaii State Legislature needs to acknowledge that visitor taxes are used to pay for many things we all value.

Until a full accounting of the allocation of visitor taxes are provided, we cannot support another raise in the TAT.

KCRA members pay more than $40 million each year in state and county TAT, and $40 million in state and county GET. On behalf of our 5,000 employees, and our 20,000 family members, we thank you for considering our opposition to HB2081.

Sincerely,

Stephanie P. Donoho

Stephanie Donoho, Administrative Director

PO Box 6991, Kamuela, HI 96743 * (808) 747-5762 * kohalacoastresortassn@gmail.com * www.kohalacoastresorts.com

LATE *Testimony submitted late may not be considered by the Committee for decision making purposes.

February 4, 2024

TO: Chair Sean Quinlan
Vice-Chair Natalia Hussey-Burdick
Members of the House Committee on Tourism

FR: AMERICAN RESORT DEVELOPMENT ASSOCIATION – HAWAII (ARDA-Hawaii)

RE: HB 2081 – RELATING TO GOVERNMENT

Hearing date: February 8, 2024, at 11:15 AM

Aloha Chair Quinlan and members of the House Committee on Tourism.

Mahalo for allowing me to submit testimony on behalf of ARDA-Hawaii in **OPPOSITION to HB 2081 –** RELATING TO GOVERNMENT. ARDA-Hawaii is the local chapter of the trade association for the timeshare industry. There are currently 98 resorts and more than 15,000 timeshare units throughout Hawaii. Timeshare is an important and stabilizing part of the tourism industry and Hawaii's economy, supporting economic development and job creation throughout the state. Timeshare owners are consistent and dependable visitors who bring substantial tax dollars to Hawaii and who continue to visit Hawaii even during periods of economic downturn. In fact, the timeshare industry in Hawaii enjoys **high occupancy levels (90+ percent) during good times and bad,** with visitors staying for an average of 9 days in length every visit, employs **5,000+ hard working local employees in Hawaii** and is a major economic driver contributing **$55-70 million each year in state and county taxes**.

HB 2081 would substantially increase the transient accommodations tax rate by 1% from 9.25% to 10.25% (and 11.25% until 2030). Although ARDA supports the protection and restoration of Hawaii's natural resources, we are deeply concerned about the significant negative impacts that increasing the TAT rate once again in less than a decade may have on the time share industry and tourism in general. Timeshare owners already contribute significantly to public facilities and government services through the payment of state and local taxes, without posing the same tax collection problems that other transient accommodations such as home rentals do.

In addition, no state other than Hawaii even charges a transient accommodations tax on owner use of time share units. Increasing the cost of owning a time share in Hawaii even more will cause the viability of this vital sector of the tourism industry to decline and drive prospective visitors to choose to purchase and vacation elsewhere. For these reasons, ARDA opposes an additional increase in the TAT rate by 1% as proposed in HB 2081 and strongly urges the committee to defer this bill. Mahalo for the opportunity to testify.

Respectfully submitted,

Mitchell A. Imanaka, President
ARDA Hawaii

HAWAI'I LODGING & TOURISM ASSOCIATION

Testimony of Mufi Hannemann, President & CEO
Hawaiʻi Lodging & Tourism Association

House Committee on Tourism
House Committee on Water and Land
HB2081 RELATING TO GOVERNMENT
February 8, 2023

Chair Quinlan, Chair Ichiyama, and members of the Committees,

On behalf of the Hawaiʻi Lodging & Tourism Association, representing 700 members, nearly 50,000 hotel rooms, and 40,000 lodging workers, we respectfully oppose HB2081 Relating to Government. This bill proposes increasing the Transient Accommodations Tax (TAT) rate from 10.25% to 11.25%, an overall increase of 9.3%. Additionally, it establishes a minimum tax of $50 per transient accommodation or resort time share vacation unit if the calculated tax is less than that amount. The bill also allocates funds to the Department of Land and Natural Resources (DLNR) for the purpose of protecting, managing, and restoring the State's natural resources.

Firstly, we strongly oppose raising the Transient Accommodations Tax. This would further burden visitors with high costs, as counties recently implemented a 3% TAT increase just two years ago, bringing the total tax on an accommodation to nearly 18% when combined with the general excise tax. This makes Hawaiʻi one of the highest taxed destinations, which could jeopardize our competitiveness in the global market, especially with the slow return of our top international market, Japan. Hawaiʻi relies heavily on leisure travel versus business travel, which has visitors paying for these additional taxes out of their own pockets . We are still in recovery mode from the global pandemic and the Maui wildfires, and now is not the right time to obstruct the rebuilding of our visitor industry by imposing more taxes.

Secondly, we object to the provision setting a minimum TAT amount of $50, as it discriminates against properties with rates below $380 a night. Many budget-friendly properties would suffer from reduced business if this provision is enacted.

If the proposed TAT increase aims to provide additional funds to DLNR, our stance has always been to instead implement impact fees at heavily visited sites, with funds directly supporting their operation and maintenance. I refer to the successful model I developed while serving on the Honolulu City Council for Haunama Bay, where visitor fees contribute to its preservation and visitor education. This approach has proven effective and has already been replicated at other state attractions.

For these reasons, we respectfully oppose this measure.

Mahalo for considering our testimony.

HB-2081
Submitted on: 2/4/2024 7:35:49 AM
Testimony for TOU on 2/8/2024 11:15:00 AM

Submitted By	Organization	Testifier Position	Testify
Julia Estigoy-Kahoonei	Individual	Support	Written Testimony Only

Comments:

I support increasing the transient fee and that the funds go into the DLNR general fund

HB-2081
Submitted on: 2/5/2024 9:16:06 PM
Testimony for TOU on 2/8/2024 11:15:00 AM

Submitted By	Organization	Testifier Position	Testify
Ryan Dadds, PA-C	Individual	Support	Written Testimony Only

Comments:

I support the Minimum $50 tax increase on Transient Accommodations to support natural resources. Our natural resources ate limited and we need money to restore what is used up from the millions of people who come to our island yearly.

The Nature Conservancy
Hawai‘i and Palmyra

The Nature Conservancy, Hawai‘i and Palmyra
923 Nu‘uanu Avenue
Honolulu, HI 96817

Tel (808) 537-4508
Fax (808) 545-2019
nature.org/HawaiiPalmyra

Testimony of The Nature Conservancy
Support for HB 2081, Relating to Government
Committee on Tourism and
Committee on Water and Land
February 7, 2024, 3:00 p.m.
Conference Room 225 & Videoconference

Aloha Chair Quinlan, Chair Ichiyama, Vice Chair Hussey-Burdick, Vice Chair Poepoe and Members of the Committees:

The Nature Conservancy (TNC) **supports** HB 2081, relating to government, which increases the transient accommodation tax rate to 10.25 per cent beginning on 1/1/2025. It requires a minimum $50 transient accommodation tax to be levied for each transient accommodation or resort time share vacation unit furnished and which shall be deposited into the general fund. This bill appropriates funds to DLNR for protection, management, and restoration of the State's natural resources.

Hawai‘i faces surmounting environmental challenges like wildfires, disappearing coastlines, bleached coral reefs, and an underinvestment in the management of these natural and cultural resources. HB 2081 is a critical step, and aligns with the majority of Hawai‘i voters who support visitors paying their appropriate contribution for the places and resources they use, visit, and experience during their time here, including these resources. As an island region, our community safety is at risk the more years we go without significant funding toward environmental protection and restoration. Hawai‘i is in immediate need of additional resources to conserve and protect our ecosystems, native species, coastlines, and the community livelihoods that depend on these resources. There is immense public support for this initiative, and HB 2081 is a clear pathway to protecting, restoring, and enhancing Hawai‘i for our local communities and the visitors we share it with, for future generations and beyond.

Mahalo for the opportunity to support HB 2081.

February 6, 2024

House Tourism and Water & Land Committee
Chair Quinlan, Chair Ichiyama
Vice Chair Hussey-Burdick, Vice Chair Poepoe
Members of the Committee
Via Electronic Transmission

Re: The Imperative of Allocating Adequate Funding to Protect Natural Resources
Support HB 2081, Relating to Government

Aloha,

Thank you for the opportunity to support HB 2081, Relating to Government. At its core, our recommendation is to significantly increase funding for natural resource management and restoration. How we protect and manage our natural resources will determine whether our children and future generations inherit a healthy, safe, and beautiful environment. This bill is an important step toward meeting these goals.

Natural resources are the lifeblood of our pae ʻāina, providing us with the essentials for survival and the foundation for Hawaiʻi's economy, our very society. These resources include clean air and water, fertile soil, living coral reefs, stable coastlines and beaches, biodiversity and healthy forests. We commend the legislature, cognizant of the local and global threats to these riches, for declaring Hawaiʻi to be the first state in the nation to declare a climate emergency. Protecting and restoring these resources is a moral, economic, and ecological imperative.

Based on the foregoing, we support this bill and strongly advocate for significantly increased funding for DLNR so that Hawaiʻi can:

- Remove flammable nonnative plants and restore sites with less flammable native plants.
- Restore coral reef to help protect our beaches and coastal communities from sea level rise and storm surges, while also protecting the fisheries that draw tourists and sustain local residents.
- Restore watershed forests that protect our water quality and supplies, in addition to reducing the risks of fire.
- Provide grants to local communities to assist them in managing and restoring natural resources, including reducing their fire risks.

The Maui wildfires have now amplified to every resident, and indeed the world, that no region in the world is immune to the impact of this climate crisis. We are a coalition of individuals and organizations committed to supporting better management of the state's natural resources. We estimate that an additional $360 million annually is needed to close the current budget shortfall in protecting our islands against climate threats and the impacts of tourism. At its most basic level, this funding is necessary for wildfire prevention strategies.

Preventing damage to natural resources is often more cost-effective than trying to restore them once they have been degraded. For example, restoring a polluted stream can be far more expensive than preventing pollution in the first place. Wildfire prevention can be significantly more cost-effective than paying for the cost of responding to wildfires and restoring damaged communities and natural resources. Legislators who allocate funding for protection and restoration are, in essence, making a sound long-term investment in their constituents, well-being, and the environment.

We have a moral responsibility to protect the natural resources that sustain life on our islands. Future generations depend on the decisions we make today. Legislators have a unique role in shaping policies that reflect our ethical obligation to safeguard the environment for all living beings.

In conclusion, there are numerous compelling reasons why legislators should approve funding to protect, restore, and manage Hawaiʻi's magnificent and irreplaceable natural resources. Disaster resilience, climate change mitigation, clean water and air, sustainable agriculture, economic benefits, public health, long-term cost savings, biodiversity conservation, and ethical responsibility all underscore the importance of such investments. By allocating the necessary funds, legislators can secure a brighter and more sustainable future for all. It is a responsibility that cannot be ignored, and the benefits far outweigh the costs.

We look forward to working with you to ensure that our natural resources are at the forefront of policy-leaders' minds and that the state budget reflects these priorities.

Mahalo,

Care for ʻĀina Now Coalition
Website: careforainanow.org
Contact: aloha@careforainanow.org

LEGISLATIVE TAX BILL SERVICE

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305 Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: TRANSIENT ACCOMODATIONS; Minimum Tax; Increase; DLNR; Natural Resources

BILL NUMBER: HB 2081

INTRODUCED BY: ICHIYAMA, LOWEN, QUINLAN, TODD, YAMASHITA

EXECUTIVE SUMMARY: Increases the transient accommodation tax (TAT) rate to 11.25 per cent beginning on 1/1/2025. Requires a minimum $50 transient accommodation tax to be levied for each transient accommodation or resort time share vacation unit furnished and which shall be deposited into the general fund. Appropriates funds to DLNR for protection, management, and restoration of the State's natural resources.

SYNOPSIS: Amends section 237D-2(a), HRS, to levy the TAT from 9.25% to 10.25% for periods beginning on July 1, 2024, and thereafter. If the TAT so calculated is less than $50, then no portion of the $50 shall be deemed to be in excess of the revenues realized for purposes of subsection (e).

Amends section 237D-2(c), HRS, to levy the TAT on occupants of a resort time share vacation unit from 9.25% to 10.25% beginning on January 1, 2025. If the TAT so calculated is less than $50, then no portion of the $50 shall be deemed to be in excess of the revenues realized for purposes of subsection (e).

Notwithstanding the amendments to the rates as noted above, amends section 237D-2(e) to increase the rate to 11.25% for the period beginning on January 1, 2018 to December 31, 2030; provided the excess over the 10.25% is deposited quarterly into the mass transit special fund established under section 248-2.7. The remaining tax revenues collected at the 10.25% rate or at $50 shall be deposited into the general fund in accordance with section 237D-6.5(b),

Section 2 of the bill appropriates $______ out of the general fund for the fiscal year 2024-2025 to be expended by the department of land and natural resources to protect, manage and restore the State's natural resources.

EFFECTIVE DATE: July 1, 2024.

STAFF COMMENTS: In law prior to 2009, the TAT was levied at the rate of 7.25% on most transient accommodations. Act 61, SLH 2009, increased the TAT rate to 8.25% between 7/1/09 and 6/30/10 and to 9.25% between 7/1/10 to 6/30/15. Act 161, SLH 2013, made permanent the TAT rate of 9.25% and changed the allocations of TAT from a percentage basis to a specific dollar amount.

This proposed increase in TAT will be borne largely by visitors. With the recent ability of counties to impose their own TAT charge, Hawaii already has the highest accommodation tax in the country. Although the bill's proponents may think that this is simply picking the pockets of our tourists to remediate our beleaguered environment, there may be ripple effects from further squeezing our tourists. What policy makers need to realize is that the more they extract from the economy in taxes and fees, the more economic performance declines. To put it specifically, tourists can’t vote for our lawmakers at the ballot box but they can vote with their feet. We aren’t the only resort island destination in the world, and the tourists know this. As economic performance declines, so do tax revenues.

Digested: 2/6/2024

TESTIMONY FROM THE DEMOCRATIC PARTY OF HAWAI'I

HOUSE COMMITTEES ON TOURISM and WATER AND LAND

FEBRUARY 8, 2024

SB 2081, RELATING TO GOVERNMENT

POSITION: SUPPORT

The Democratic Party of Hawai'i **supports** SB 2081, relating to government. Pursuant to the "Environment and Energy" section of the official Democratic Party of Hawai'i platform, the party believes "that all people have the right to live in a clean, healthy and safe environment. We believe that the preservation of our natural environment and its ecological well being is essential to ensuring a safe, healthy, bountiful life for future generations in Hawai'i. We support policies that create a more sustainable society. We support the restoration, preservation, and protection of native ecosystems."

According to a report produced by the Hawai'i Climate Change Mitigation and Adaptation Commission, global sea levels could rise more than three feet by 2100, with more recent projections showing this occurring as early as 2060. In turn, over the next 30 to 70 years, approximately 6,500 structures and 19,800 people statewide will be exposed to chronic flooding.

Additionally, an estimated $19 billion in economic loss would result from chronic flooding of land and structures located in exposure areas. Finally, approximately 38 miles of coastal roads and 550 cultural sites would be chronically flooded, on top of the 13 miles of beaches that have already been lost on Kaua'i, O'ahu, and Maui to erosion fronting shoreline armoring, like seawalls.

As we work to reduce carbon emissions and stave off the worst consequences of climate change, we must begin preparing for the adverse impact of sea level rise on our shores. We are now quantifying the speed at which we must act. We cannot continue to develop the 25,800-acre statewide sea level rise exposure area–one-third of which is designated for urban use–without risking massive structural damage and, potentially, great loss of life.

Last year, we witnessed the impact of the climate emergency on our shores. On August 8, 2023, wildfires swept across Maui and killed at least 100 people, making it one of the nation's deadliest natural disasters. The spread of the fires has been attributed to climate change conditions, such as unusually dry landscapes and the confluence of a strong high-pressure system to the north and Hurricane Dora to the south. The wildfires destroyed over 2,200 structures, including numerous residential buildings, historic landmarks, and school facilities. In September 2023, a report from the United States Department of Commerce estimated the total economic damage of the wildfires to be roughly $5.5 billion. Investing in renewable energy generation could not be more urgent, given the growing threat of climate-induced catastrophes to our island home.

Therefore, we should take steps to accelerate Hawai'i's efforts to address climate change and develop a clean economy, including by implementing "green fees" that ensure our state's visitors pay their fair share to sustain our ʻāina. New Zealand, the Maldives, Cancun, and Venice, and numerous other countries have green fee programs for visitors, which vary from $1 per night to a $100 entrance fee for the purpose of environmental conservation. **Palau's per-tourist investment in its natural environment is $92, New Zealand's is $188, and the Galapagos Islands' is $373. Hawaiʻi's is just $9 per tourist**, according to a report from Conservation International's Green Passport initiative. We need to catch up. For the sake of our keiki, we cannot afford to wait to solidify strategies to preserve our island home for generations to come.

Mahalo nui loa,

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HB 2081, RELATING TO GOVERNMENT

FEBRUARY 8, 2024 · TOU/WAL HEARING

POSITION: Support.

RATIONALE: Imua Alliance **supports** HB 2081, relating to government, which increases the transient accommodation tax rate to 10.25 per cent beginning on 1/1/2025; requires a minimum $50 transient accommodation tax to be levied for each transient accommodation or resort time share vacation unit furnished and which shall be deposited into the general fund; and ppropriates funds to DLNR for protection, management, and restoration of the State's natural resources.

According to a report produced by the Hawai'i Climate Change Mitigation and Adaptation Commission, global sea levels could rise more than three feet by 2100, with more recent projections showing this occurring as early as 2060. In turn, over the next 30 to 70 years, approximately 6,500 structures and 19,800 people statewide will be exposed to chronic flooding.

Additionally, an estimated $19 billion in economic loss would result from chronic flooding of land and structures located in exposure areas. Finally, approximately 38 miles of coastal roads and 550 cultural sites would be chronically flooded, on top of the 13 miles of beaches that have already been lost on Kaua'i, O'ahu, and Maui to erosion fronting shoreline armoring, like seawalls.

Furthermore, according to research conducted by Michael B. Gerrard from Colombia Law School, modern-day slavery tends to increase after natural disasters or conflicts where large numbers of people are displaced from their homes. In the decades to come, says Gerrard, **climate change will very likely lead to a significant increase in the number of people who are displaced**

and, thus vulnerable, to human trafficking. While the Paris Climate Agreement of 2015 established objectives to limit global temperature increases and several international agreements are aimed at combating modern-day slavery, it is highly uncertain whether they will be adequate to cope with the scale of the problem that is likely to occur as a result of climate change.

As we work to reduce carbon emissions and stave off the worst consequences of climate change, we must begin preparing for the adverse impact of sea level rise on our shores. We are now quantifying the speed at which we must act. We cannot continue to develop the 25,800-acre statewide sea level rise exposure area–one-third of which is designated for urban use–without risking massive structural damage and, potentially, great loss of life.

Therefore, we should take steps to accelerate Hawai'i's efforts to address climate change and develop a clean economy, including by implementing "green fees" that ensure our state's visitors pay their fair share to sustain our ʻāina. New Zealand, the Maldives, Cancun, and Venice, and numerous other countries have green fee programs for visitors, which vary from $1 per night to a $100 entrance fee for the purpose of environmental conservation. **Palau's per-tourist investment in its natural environment is $92, New Zealand's is $188, and the Galapagos Islands' is $373. Hawaiʻi's is just $9 per tourist**, according to a report from Conservation International's Green Passport initiative. We need to catch up. For the sake of our keiki, we cannot afford to wait to solidify strategies to preserve our island home for generations to come.

Kris Coffield · Executive Director, Imua Alliance · (808) 679-7454 · kris@imuaalliance.org

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Removing barriers to Hawaii's prosperity

Feb. 8, 2024, 11:15 a.m.
Hawaii State Capitol
Conference Room 430 and Videoconference

To: House Committee on Tourism
Rep. Sean Quinlan, Chair
Rep. Natalia Hussey-Burdick, Vice Chair

House Committee on Water & Land
Rep. Linda Ichiyama, Chair
Rep. Mahina Poepoe, Vice Chair

From: Grassroot Institute of Hawaii
Ted Kefalas, Director of Strategic Campaigns

RE: TESTIMONY IN OPPOSITION TO HB2081 — RELATING TO TAXATION

Aloha Chairs Quinlan and Ichiyama, Vice-Chairs Hussey-Burdick and Poepoe and Committee Members,

The Grassroot Institute of Hawaii would like to offer its comments in opposition to HB2081, which would increase the current state transient accommodations tax rate to 11.25%, including a $50 minimum TAT per transient accommodation if the application of the TAT rate turns out to be less than $50.

No portion of that $50 minimum TAT tax would be considered "excess revenue" under section 237D-2(e), and it would therefore be deposited to the general fund.

This proposed tax increase is intended to be used for the protection of the state's natural resources. That is a laudable goal, but that must be balanced against the damage that this tax increase would cause to Hawaii businesses and the state's economy as a whole.

Support for a TAT increase is often based on the notion that the tax hike will fall more heavily — or even exclusively — on tourists. However, the TAT also directly affects Hawaii residents who need to stay in local transient accommodations when traveling interisland or simply seeking to enjoy a "staycation."

Beyond that, a large body of research demonstrates that increasing taxes on tourists can also affect both the competitiveness of Hawaii's tourism industry and the health of local businesses that depend upon tourism dollars — which means the tax affects most, if not all, Hawaii residents, albeit in some cases indirectly.

A 2017 European Union study on the impact of taxation on tourism in Europe found that high tourism taxes, passed on to tourists through higher prices, affected the competitiveness of particular destinations.[1] Coastal and leisure destinations in particular were most adversely affected by increases in tourism taxes, especially compared to locations that were more focused on business travelers.

In addition, occupancy taxes such as Hawaii's TAT were singled out as inequitable and especially frustrating to tourists. The EU study recommended that countries that depend heavily on tourism should reduce their tourism taxes in order to increase competitiveness.

Even unique destinations are not immune from the effect of taxation on international arrivals. A study of the Maldives, a country that earns as much of 70% of its revenue from tourism taxes, found that a 10% increase in tourism taxes reduces demand by 5.4%.[2]

To put it plainly, increasing tourism taxes decreases the number of visitors. Moreover, policymakers cannot assume that tourism taxes will not have an additional effect on visitor spending. It is only common sense to assume that tourists will compensate for higher tourism taxes by adjusting their budgets and spending less on dining, activities or shopping.

This is borne out by a study of the effect of an air passenger duty on the budget allocations of United Kingdom tourists. The study found that tourists compensated for the higher taxes by decreasing destination expenditures on items such as accommodations and food.[3]

Thus, increasing tourism taxes will ultimately hurt Hawaii's restaurants, stores and hotels, as tourists decrease their expenditures to compensate for the state's higher taxes.

This is on top of the fact that Hawaii already has some of the world's highest tourism taxes,[4] making any additional hike a threat to the continued health of the industry and the businesses that depend on it.

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[1] PricewaterhouseCoopers LLP, "The Impact of Taxes on the Competitiveness of European Tourism," European Commission, Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs, October 2017.
[2] Festus Fatai Adedoyin, Neelu Seetaram and George Filis, "The Effect of Tourism Taxation on International Arrivals to a Small, Tourism-Dependent Economy," Journal of Travel Research, Vol. 62, Iss. 1, pp. 135-153.
[3] Haiyan Song, Neelu Seetaraum and Sunh Ye, "The effect of tourism taxation on tourists' budget allocation," Journal of Destination Marketing and Management, March 2019, pp. 32-39.
[4] Alison Fox, "These Cities — Including 3 in the U.S. — Have the Most Expensive Tourist Taxes in the World, Study Shows," Travel + Leisure, Aug. 12, 2022.

Tourism is such a critical part of the state's economy that even industries that are not directly linked to tourism are linked to businesses that are.

In addition, as mentioned above, we should not ignore the fact that tourists are not the only ones who pay the TAT. For example, neighbor island residents who stay on Oahu for medical care and families in need of a temporary dwelling after a natural disaster must book either a hotel or a short-term rental. Likewise, medical professionals must stay somewhere while practicing in Hawaii.

In other words, a TAT increase and minimum charge will have a negative effect on the health of the state's tourism industry, its economy, and the cost of living in general.

Hawaii residents have suffered enough from endless tax hikes and fees. This is not the time to make Hawaii a more expensive place to live and do business.

Thank you for the opportunity to testify.

Ted Kefalas
Director of Strategic Campaigns
Grassroot Institute of Hawaii

LATE *Testimony submitted late may not be considered by the Committee for decision making purposes.

HB-2081
Submitted on: 2/7/2024 12:30:51 PM
Testimony for TOU on 2/8/2024 11:15:00 AM

Submitted By	Organization	Testifier Position	Testify
Ken Sim	Individual	Oppose	Written Testimony Only

Comments:

Please defer this Bill.

It is confusing and would be very difficult to carry out the requirements for the computations. It actually contradicts the other Bill that requires full disclosure of all fees prior to booking. How would anyone actually be able to do this without some special software to do the computations.

Thank you.

LATE *Testimony submitted late may not be considered by the Committee for decision making purposes.

HB-2081
Submitted on: 2/7/2024 7:32:01 PM
Testimony for TOU on 2/8/2024 11:15:00 AM

Submitted By	Organization	Testifier Position	Testify
Lois Crozer	Individual	Oppose	Written Testimony Only

Comments:

This may be good for accommodations that charge more than $200 a night but i oppose it for cheaper accommodations.