

OFFICE OF INFORMATION PRACTICES

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To: House Committee on Finance

From: Cheryl Kakazu Park, Director

Date: February 24, 2023, 1:30 p.m.
State Capitol, Conference Room 308

Re: Testimony on H.B. No. 1375, H.D. 2
Relating to Tourism

Thank you for the opportunity to submit testimony on this bill, which would repeal the Hawaii Tourism Authority (HTA) and replace it with a new Destination Management Agency. The Office of Information Practices (OIP) takes no position on the substance of this bill, but testified previously to note that the bill's confidentiality and closed meeting provisions generally follow those provided in current law for the HTA, and to recommend an amendment to fully align the closed meeting provision to what is provided in current law. The Committee on Water & Land made that amendment in the H.D. 2 version of the bill, and OIP has no further concerns regarding this bill.

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LIEUTENANT GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION

Ka 'Oihana 'Auhau

P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
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GARY S. SUGANUMA
DIRECTOR

KRISTEN M. R. SAKAMOTO
DEPUTY DIRECTOR

**TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. 1375, H.D. 2, Relating to Tourism

BEFORE THE:

House Committee on Finance

DATE: Friday, February 24, 2023

TIME: 1:30 p.m.

LOCATION: State Capitol, Room 308

Chair Yamashita, Vice-Chair Kitagawa, and Members of the Committee:

The Department of Taxation ("Department") offers the following comments regarding H.B. 1375, H.D. 2, for your consideration.

H.B. 1375, H.D. 2, establishes the Destination Management Agency ("Agency"), a body corporate and a public instrumentality of the State headed by the Destination Management Commission ("Commission").

Section 1 of the bill, on page 21, lines 16 through 19, exempts all revenues and receipts derived by the Agency from any project or a project agreement or other agreement pertaining thereto from all state taxation.

Section 8, on page 43 of the bill, exempts amounts received by the operator of the Hawai'i convention center for reimbursement of costs or advances made pursuant to a contract with the Commission from general excise tax.

Section 9, beginning on page 44 of the bill, amends section 237D-6.5, Hawaii Revised Statutes (HRS), by allocating \$100 million in transient accommodations tax (TAT) revenues to a newly-created tourism special fund, of which:

1. \$50 million shall be deposited into the newly-created County Assistance Special Fund;
2. \$1 million shall be allocated for the operation of a Hawaiian center and the museum of Hawaiian music and dance;
3. 0.5 percent shall be transferred to a subaccount in the tourism special fund to

- provide funding for a safety and security budget, in accordance with the Hawai'i tourism strategic plan 2005-2015;
4. Any remaining funds, except for sums authorized by the Legislature for expenditure from revenues subject section 237D-6.5(b)(2), HRS, shall be deposited into the newly-created tourism emergency special fund in a manner sufficient to maintain a fund balance of \$5 million.

The measure has a defective effective date of June 30, 3000.

The Department notes that it is able to administer the tax provisions in sections 1 and 8 of this bill upon approval; but suggests that section 9 of the bill, relating to the allocation of TAT revenues, be made effective on July 1, 2023.

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



Ke'ena Kuleana Ho'okipa O Hawai'i
Hawai'i Convention Center
1801 Kalākaua Avenue, Honolulu, Hawai'i 96815
kelepona tel 808 973 2255
kelepa'i fax 808 973 2253
kahua pa'a web hawaii tourismauthority.org

Josh Green, M.D.
Governor

John De Fries
President and Chief Executive Officer

Statement of
JOHN DE FRIES
Hawai'i Tourism Authority
before the
COMMITTEE ON FINANCE

Thursday, February 24, 2023
1:30 p.m.
State Capitol Conference Room 308 & Videoconference

In consideration of
HOUSE BILL NO. 1375 HD2
RELATING TO TOURISM

Aloha Chair Yamashita, Vice Chair Kitagawa, and Members of the Committee on Finance,

The Hawai'i Tourism Authority (HTA) appreciates the opportunity to offer comments on HB1375 HD2, which would establish a new destination management agency to assume the rights, powers, functions, and duties of HTA.

Over the past three years, Hawai'i experienced and survived a massive economic collapse thanks to a coordinated effort between the private and public sectors. In concert with our partners and stakeholders, and led by our volunteer board of directors with a wealth of industry and community experience, HTA has been guiding and supporting the recovery of our tourism industry which has helped resuscitate Hawai'i's overall economy ahead of projections.

Tourism is the largest sector of Hawai'i's economy, and therefore a major contributor of tax revenues to fund important state priorities. **In 2022, preliminary numbers show that Hawai'i tourism topped the previous high water mark 2019 in visitor spending (\$19.3 billion, +8.9%) and state tax revenue (\$2.21 billion, +6.2%) with fewer visitor arrivals (9.25 million, -11%).**

It is important to note that this strong recovery was primarily powered by the U.S. market, where HTA has maintained continuity in our visitor education, brand management, and support services even through the contested process to procure the next contract for that market.

In addition to HTA's spending-related key performance indicators, we also track visitor satisfaction and resident sentiment. Both measures are trending in the right direction.

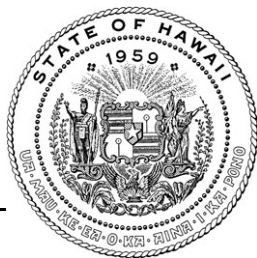
HTA's message to prospective visitors around the world is **Mālama Hawai'i**: an invitation for them to join kama'āina in caring for our beloved home. Setting that intention and expectation, combined with robust visitor education through all stages of the journey, is our strategy to target and welcome visitors who prioritize the environment and being mindful guests – all key to achieving our goal of a regenerative model of tourism through destination management.

We recognize that the impacts of tourism are real and require management. As Hawai'i emerges from the pandemic, HTA continues its pivot to destination management initiated just before the onset of the pandemic. The pivot started with the adoption of our current strategic plan, and was further refined in the community-generated Destination Management Action Plans for each island.

A return to dedicated funding from the Transient Accommodations Tax as described in this measure would be helpful in advancing destination management following the budgetary uncertainties HTA faced during the pandemic and continues to face.

Ahead of making major structural changes to the agency responsible for managing Hawai'i's visitor industry, the completion of a study on alternative models of tourism governance would be a valuable, prudent approach to consider.

We look forward to the vigorous debate this measure is likely to inspire before your committee, and we appreciate the opportunity to offer these comments on HB1375 HD2. Mahalo.



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**
KA 'OIHANA HO'OMOHALA PĀ'OIHANA, 'IMI WAIWAI
A HO'OMĀKA'IKĀ'I

JOSH GREEN, M.D.
GOVERNOR

CHRIS J. SADAYASU
DIRECTOR

DANE K. WICKER
DEPUTY DIRECTOR

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
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Statement of
CHRIS J. SADAYASU
Director
Department of Business, Economic Development, and Tourism
before the
HOUSE COMMITTEE ON FINANCE

Friday, February 24, 2023
1:30 PM
State Capitol, Conference Room 308

In consideration of
HB1375, HD2
RELATING TO TOURISM.

Chair Yamashita, Vice Chair Kitagawa, and Members of the Committee.

The Department of Business, Economic Development and Tourism (DBEDT) offers **comments** on HB1375, HD2, which establishes a destination management agency, including its director and commission, and tourism special fund and county assistance special fund.

DBEDT affirms its commitment to collaborate with the Committee should it be determined that a destination management agency will be established and will participate in any discussions related to its potential role and responsibilities.

Thank you for the opportunity to comment on this measure.



February 22, 2023

Representative Kyle Yamashita, Chair
Representative Lisa Kitigawa, Vice Chair
House Finance Committee
Hawaii State Legislature

Comments on HB1375 HD2

Dear Chair Yamashita, Vice Chair Kitigawa and Members of the House Finance Committee,

Thank you for the opportunity to comment on HB1375 HD2.

During the 25 years since the Hawaii Tourism Authority (HTA) was established in 1998, it has focused on 9 key initiatives including: destination marketing and branding worldwide, touting the unique attributes of our islands, in partnership with each island's visitors bureau chapter; the development of community product enrichment programs to introduce visitors to the traditions and programs our residents value; sporting events which attract competitors and fans from around the world; community festivals and events; Hawaiian cultural programming; natural resources programming; tourism workforce development programming; visitor safety and security; and data collection and dissemination.

Much of that work has been primarily undertaken by a broad and diverse network of non-profit and community organizations all across the state. A list of the organizations and programs supported by HTA is included in their annual report to the Legislature and can be found here - <https://www.hawaiitourismauthority.org/who-we-are/annual-report/>.

As currently written, we do not believe that bill HB1375 HD2 thoroughly addresses how the state will support:

- Global marketing and the islands' visitors' bureaus
- Visitor safety and security through organizations like the Visitor Aloha Society of Hawaii (VASH)
- Tourism workforce development through organizations like ClimbHI
- Community product enrichment programs, festivals, sports and events

These important community organizations rely on the continuity of the funds they receive from HTA in order to deliver critical services to support the health and stability of the state's visitor industry. And the relationships between those organizations and the HTA are critically important and have taken decades to nurture and develop. If there is to be any transition in the lead organization charged with tourism management and marketing, those relationships must be maintained and supported.

Thank you for the opportunity to provide comments on HB1375 HD2.

Sincerely,

A handwritten signature in black ink that reads "Stephanie P. Donoho". The signature is written in a cursive, flowing style.

Stephanie Donoho, Administrative Director

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: TRANSIENT ACCOMMODATIONS, GENERAL EXCISE, Replace Hawaii Tourism Authority with Destination Management Agency

BILL NUMBER: HB 1375 HD 2

INTRODUCED BY: House Committees on Tourism and Economic Development

EXECUTIVE SUMMARY: Establishes the powers, duties, and responsibilities of the destination management agency, including its director and commission. Establishes the tourism special fund, which receives an allocation from transient accommodations tax revenue. Repeals the Hawai'i tourism authority (HTA).

SYNOPSIS: As related to the tax laws:

Amends section 237-24.75, HRS, to substitute the new agency for the HTA in paragraph (2).

Amends section 237D-6.5, HRS, to alter the earmarks on the transient accommodations tax as follows:

- Earmarks \$100 million to the tourism special fund. Of the \$100 million:
 - \$50 million into the county assistance special fund for matching county funds used in destination management plans.
 - \$1 million is for the operation of a Hawaiian center and the museum of Hawaiian music and dance.
 - 0.5% is to be transferred to a sub-account to fund a safety and security budget.
 - Funds will be deposited into the tourism emergency special fund sufficient to keep that fund at a \$5 million balance.

Makes technical and conforming amendments.

EFFECTIVE DATE: June 30, 3000.

STAFF COMMENTS: Our comments will be limited to the effect on the tax laws from the amendment to section 237D-6.5, HRS.

As with any earmarking of revenues, the legislature will be preapproving each of the initiatives fed by the tax earmark, so expenses from the funds largely avoid legislative scrutiny, and the effectiveness of the programs funded becomes harder to ascertain. It is also difficult to determine whether too little or too much revenue has been diverted from other priorities in the state budget.

If the legislature deems the programs and purposes funded by this special fund to be a high priority, then it should maintain the accountability for these funds by appropriating the funds as it does with other programs. Earmarking revenues merely absolves elected officials from setting priorities. If the money were appropriated, lawmakers would have to evaluate the real or actual

Re: HB 1375 HD2

Page 2

needs of each program and compare them against other pressing issues of the day such as crumbling education infrastructure, economic devastation wrought by COVID-19, and the continual danger of invasive species.

Digested: 2/23/2023



Maui Hotel & Lodging
ASSOCIATION

Testimony of

Lisa H. Paulson

Executive Director

Maui Hotel & Lodging Association

Committee on Water and Land

House Bill 1375, HD2: Relating to Tourism

February 24, 2023, 1:30 pm

Conference Room 308

The Maui Hotel & Lodging Association (MHLA) is the legislative arm of the visitor industry for Maui County. We represent over 180 property and allied business members and 22,000 employees. **MHLA offers comments for House Bill 1375, HD2**, which establishes the powers, duties, and responsibilities of the destination management agency, including its director and commission. Establishes the tourism special fund and county assistance special fund, to receive allocations from transient accommodations tax revenue. Repeals the Hawaii tourism authority.

We recognize that Hawaii's tourism needs greater management coordination with private and public stakeholders. MHLA is a part of the current Destination Management Plan (DMAP) Steering Committee for Maui County and would like to see the action items set forth to be able to continue along with the many alliances already established with government agencies. Additionally, we support each county receiving funds to continue this vital work.

Concerning the three-person Commission, we would prefer a larger commission with persons representative from each of Hawaii's counties. We cannot afford a commission with limited optics on the challenges experienced on all the islands throughout the State.

Lastly, we encourage completing a study on alternative tourism governance models as laid out in the language in Measure HB1381. This would be a practical, pragmatic approach to consider.

MHLA respectfully submits these comments for your consideration for House Bill 1375, HD2.

Thank you for the opportunity to provide this testimony.



HAWAI'I LODGING & TOURISM
A S S O C I A T I O N

Testimony of
Mufi Hannemann
President & CEO
Hawai'i Lodging & Tourism Association

House Committee on Finance
House Bill 1375, HD2
February 24, 2023

Chair Yamashita and members of the Committee, mahalo for the opportunity to provide comments on behalf of the Hawai'i Lodging & Tourism Association, the state's oldest and largest private sector visitor industry organization.

The Hawai'i Lodging & Tourism Association—nearly 700 members strong, representing more than 50,000 hotel rooms and nearly 40,000 lodging workers—has always enjoyed a positive, productive, and collaborative working relationship with the Hawai'i Tourism Authority under its present model.

That being said, it is clear that many in our community want to have a frank discussion regarding HTA, its duties, its governance, and the role it will fulfill going forward. We feel strongly that this conversation—which should encompass all of HTA's duties including destination management and also visitor marketing—is warranted and that the legislative process should be allowed to play out. We further feel that this discussion is one that should be held as transparently as possible.

We also believe that allowing this to occur will result in increased recognition and appreciation for tourism's importance to our community and our economy. Moreover, careful consideration of the State's tourism role will only improve the quality and efficiency of the State's tourism advocacy, which must strike a fine balance between the needs of residents and travelers alike.

HLTA appreciates the amendments made by the previous Committees—including the intent to provide the counties a pathway to access funding for county maintenance and improvement projects. As was noted by House Tourism Chair Quinlan in the measure's first committee hearing, the counties are acutely affected by the impacts of tourism, and the establishment of the County Assistance Special Fund would be held to mitigate some of the costs associated with these impacts.

Mahalo for the opportunity to offer these comments.



2/13/2023

Honorable Chair Kyle T. Yamashita and Members
Committee on Finance
415 South Beretania Street
Honolulu HI 96813

RE: HB-820 Oppose; HB-1375 Revise

Aloha e Committee,

Thank you for taking the time to review this bill and take testimony.

We believe in a managed hospitality industry for Maui. We also support fair taxation of vacation rental properties. However we see issues with HB820 hurting legally operating small business operators in Maui County. Further, we would like to see HB 1375 revised to include specific representation for the legitimate and legal vacation rental industry.

Maui has 13,744 legal short term rental properties, 8,336 hotel rooms, and 2,475 timeshare units in our diversified visitor accommodation industry (please reference the State reports at the end of this report). Each provides the potential Maui visitor different options. The clear differentiation regarding the legal short term rental properties is that thousands of them are owned by Maui County families. This is one of the only ways local families can directly participate in and benefit from the hospitality industry.

This bill targets these local families with a 250% increase in their taxes and is punitive. Where is the data that shows those impacts? How is it that a legally operating bed and breakfast, or short term rental home, or a 28 room condo should be taxed 250% more than other operators in this very same transient accommodation sector?

At the very least, the State should not be favoring large international corporations in the transient accommodations industry while targeting the Hawai'i's legal small businesses in the accommodations industry. We need to support small businesses; their revenues support other small local businesses and these monies stay in the state. We cannot support a bill that could potentially shut down legal operators with unfair taxation schemes that favor large outside corporate entities operating in this state. Please vote no HB820.



Many of the condo buildings operating on Maui were built in the 1970's and 1980's and have large monthly maintenance costs. Have you considered what the impacts could be for these kinds of properties where they may not be able to just pass the tax off to the visitors. If the property owners cannot continue to fund the high maintenance costs of these buildings there could be unintended consequences for the State in this bill.

When it comes to legislation that could affect the livelihood of thousands of its constituents (actual voters), the State should be considering factual and data driven based decisions. At the very least, the State should be supporting this legally operating small business sector that offers such a vibrant and diverse ecosystem for our visitors, while our county and state are already leveraging significant taxes on these businesses to benefit our local economy. The legal short term vacation rentals already generate the largest amount of tax revenue for Maui County than any other category by a very large margin.

The State should not be favoring large international corporations in the transient accommodations industry while targeting the Hawai'i's legal small businesses in the accommodations industry. We cannot support a bill that could potentially shut down legal operators with unfair taxation schemes that favor large outside corporate entities operating in this state. Please vote no HB820.

With regards to Bill 1375 please revise the language to mandate inclusion of representatives from the legitimate short term rental industry. This legally operating sector has long been misrepresented by existing tourism management methodology. It is critical that all sectors work together. Furthermore, the legal vacation rental industry is one that is highly managed and regulated already. For the State to make good informed decisions into the future of hospitality all of the different legally operating accommodations sectors need to be included. It just makes sense. Please revise the language in Bill 1375 to consider all legitimate accommodations sectors.

Maui County's operating budget has increased to over 1 Billion dollars in its current fiscal year. Most of the county's revenue comes from the short term rental classification, and the small businesses creating this revenue. The county of Maui has long had a strategy of taxing the Short Term Rental Classification in order to keep taxes low for the residents. A big part of this strategy is by means of the property assessment values that the County assessment division attributes to these properties.

M A U I
VACATION RENTAL
 ASSOCIATION

Looking at the top 30 real property tax revenue generating legal visitor accommodations in Maui county, you can see that the assessment of many short term rentals result in a higher rate and tax revenue than many of our hotel properties.

When looking at average tax revenue generated on a per Unit basis, the top 13 properties are all legal vacation rental properties. The top Hotel, the Kea Lani falls behind all of these at number 14 on this same list.

TOP REVENUE GENERATING SHORT TERM RENTAL AND HOTEL PROPERTY, MAUI COUNTY 2023

	PROJECT PROPERTY	TOTAL ASSESSED VALUE	AVE. PROPERTY TAX REVENUE	AVE. ASSESSMENT PER UNIT	AVE. TAX REVENUE PER UNIT	
1	WAILEA BEACH VILLAS	474,547,900	5,623,393	4,943,207	58,577	Largest Ave/Unit
2	KAPALUA BAY CONDO	487,731,400	5,779,617	4,601,240	54,525	
3	WAILEA POINT I, II, III	360,302,000	4,269,579	3,498,078	41,452	
4	HOOLEI	398,574,400	4,723,107	3,267,003	38,714	
5	KAANAPALI ALII	657,716,900	7,793,945	2,391,698	28,342	
6	WAILEA ELUA I, II	354,432,200	4,200,022	2,286,659	27,097	
7	HONU A KAI	1,179,135,500	13,972,756	1,602,086	18,985	Largest by Total Rev.
8	PUAMANA	296,446,000	3,512,885	1,585,273	18,785	
9	KAPALUA BAY VILLAS	175,535,500	2,080,096	1,244,933	14,752	
10	WAILEA EKAHI I, II, III	245,631,400	2,910,732	1,175,270	13,927	
11	MAUI KAMAOLE I, II, III	226,794,000	2,687,509	944,975	11,198	
12	PALMS AT WAILEA I	139,192,700	1,649,433	927,951	10,996	
13	WAILEA EKOLU	135,207,100	1,602,204	913,561	10,826	
14	KEA LANI	410,022,500	4,817,764	911,161	10,706	Largest ave/unit hotel
15	THE RIDGE	139,597,000	1,654,224	867,062	10,275	

M A U I
VACATION RENTAL
 A S S O C I A T I O N

16	MANELE BAY HOTEL	195,762,900	2,300,214	829,504	9,747	
17	GRAND WAILEA	621,756,100	7,305,634	797,123	9,366	Largest Hotel by Total rev
18	KAPALUA GOLF VILLAS	146,211,800	1,732,610	786,085	9,315	
19	FOUR SEASONS	297,937,400	3,500,764	784,046	9,213	
20	GRAND CHAMP VILLAS	142,419,600	1,687,672	757,551	8,977	
21	PAPAKEA	238,776,500	2,829,502	655,979	7,773	
22	KAMAOLE SANDS	278,724,700	3,302,888	633,465	7,507	
23	ANDAZ	205,360,300	2,412,984	635,790	7,471	
24	HALE KAA NAPALI	161,065,400	1,908,625	624,284	7,398	
25	SHERATON	296,801,600	3,487,419	584,255	6,865	
26	ROYAL LAHAINA	254,303,200	2,988,063	580,601	6,822	
27	HYATT	386,224,700	4,538,140	479,187	5,630	
28	WAILEA BEACH MARRIOTT	238,336,000	2,800,448	438,118	5,148	
29	WESTIN MAUI	292,717,300	3,439,428	385,662	4,532	
30	RITZ CARLTON	163,362,000	1,919,504	350,562	4,119	
	Source: Maui County Real Prop Tax	Legend:	=STR			=Hotel

One of the tools used by the assessment division is the fact that the short term rental properties are sold more frequently on the **real estate** market and then these **sales** are factored into the taxable value of the properties. Thus the assessed values in the short term rental class are some of the top real property tax valued properties on the island, generating most of the tax revenue for the county.

Maui County has added a new 3% TAT tax for the county as of November 2021 and these operators and visitors have fostered this increase generating millions of dollars for Maui county.



At the very least, the State should be making data driven decisions. Where is the study that shows how much revenue these properties raise in TAT for the State? **How many jobs and taxes would be potentially lost with a measure like this?**

Maui County has had laws and regulations in place that closely regulate our short term rentals, and there is strict enforcement of these rules, keeping the illegal rentals numbers very low. In the January 2023 report, there were 25 complaints which resulted in three notices of warnings and zero notices of violations. The vacation rental industry is highly regulated and enforced in Maui County. The community leverages the existing legal operations for benefits to the community as whole.

Our visitor industry benefits from the diversity vacation rentals offer. Having a short term rental is one of the only ways local residents can have direct participation in the hospitality and accommodations sector. There are thousands of small businesses in Maui that benefit from this legal established use in the county. The properties in this district accommodating our visitors are an important legitimate part of our hospitality industry. The guests that seek out these experiences and want more local authentic culture are the educated guests Maui wants.

Last year, the county approved over \$1.07 Billion dollars for their FY2022 budget. For the first time in Maui's history we exceeded a budget of 1 Billion dollars. This was more than a \$200 Million increase, or 27% over the previous fiscal year. The county funds most of those dollars in real property tax revenue. During 2022, the county raised an additional \$430 Million in property tax revenue.

The **short term classification raised \$160 Million in RPT tax in 2022, 12% more than last year.** This was an increase of \$17 Million in tax dollars, **the highest increase in all the tax classifications.** This year short term rentals represent 37% of the real property tax revenue, and 15% of the county of Maui's entire operating budget. **What this demonstrates is that the county depends on the tax revenues of properties like the ones operating in the districts that would be affected by this measure.**

Much of the increases in revenue in property taxes overall came from the increase in values of properties. Total assessments rose **\$4 Billion overall** in Maui County in fiscal year 2022-2023. Increases in assessed values were up 5% overall in the short term classification.



Short term rentals will contribute \$12.1 Million in revenue to the Affordable Housing Fund, the largest contribution of all the classifications, and the largest contribution to date. Over the last 5 years the **short term rental classification has generated \$31.5 million dollars for the affordable housing fund**, the largest contribution by far, and more than the other accommodation sectors combined.

The legal short term rentals in Maui County are a significant and beneficial part of our hospitality industry, and have been for many years. It does not make sense for the State to create laws that would shut down legal operating small businesses without doing plenty of research first.

Given the current budget, gutting funding categories for the State and Counties county is contrary to their fiduciary duty. Creating punitive taxation schemes that harm small businesses is problematic and should not be the way our State makes changes. Please vote no on this bill HB820. Please revise bill 1375 to include the legitimate vacation rental industry with knowledgeable professionals from this industry.

Thank you for considering my testimony. If you have any questions or clarifications please feel free to contact me.

Best,

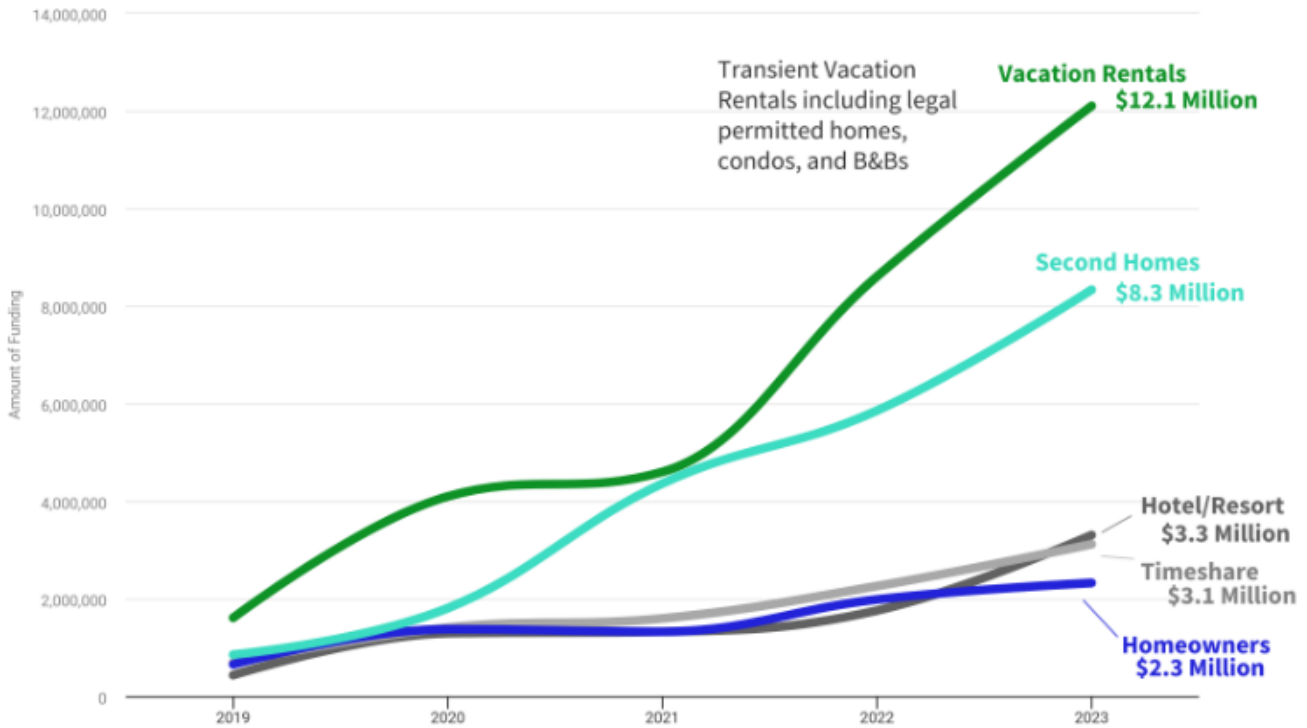
Jen Russo

Executive Director

Maui Vacation Rental Association

Who Pays for Maui's Affordable Housing Fund?

FY2019-2023
Review



Vacation Rentals have contributed a total of \$31.5 million from 2019-2023

Second Homes have contributed a total of \$12.3 million from 2019-2023

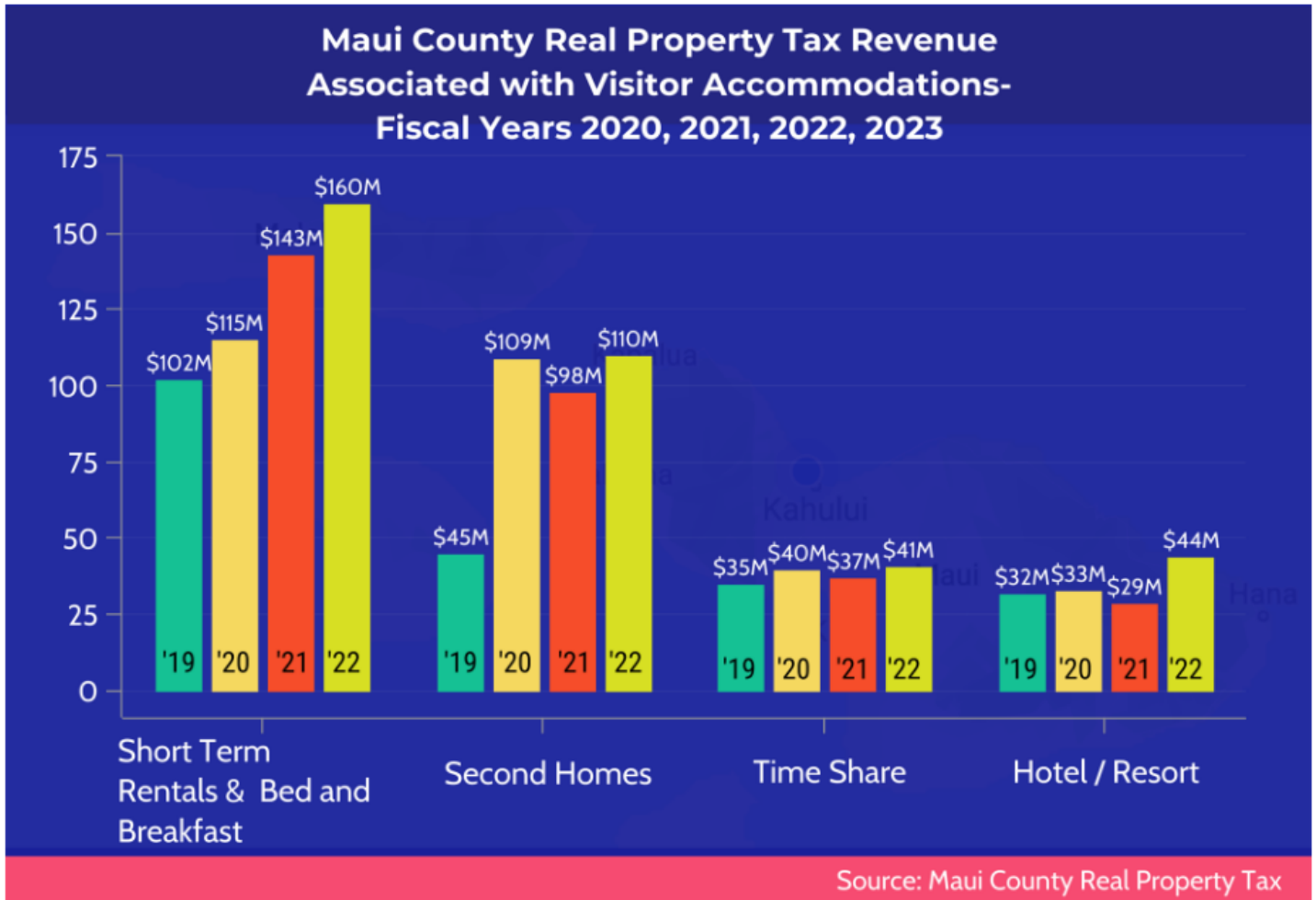
Timeshares have contributed a total of \$9 million from 2019-2023

Homeowners have contributed a total of \$8.3 million from 2019-2023

Hotel/Resorts have contributed a total of \$4.8 million from 2019-2023

Source: Maui County Real Property Tax

The Short Term Rental classification is the largest contributor to the affordable housing fund. The short term rentals have raised more for affordable housing over the past 5 years than the other categories combined.



The County of Maui has a 5 year upward trend in Real Property Tax Revenue generated from Vacation Rentals



Vacation Rental Enforcement Quarterly Report

Date of report: October 6, 2022

The Department of Planning issues quarterly reports on transient vacation rental (TVR) enforcement. This report is for the period July 1 to September 30, 2022, and provides data for advertisements, requests for service, notices of warning and violation, and fines assessed and collected for illegal vacation rental activity in Maui County. Online ads, as confirmed by a vendor already doing research for the latest RFP, number between 20 and 25,000 for the island of Maui. Through agreements with Airbnb and Expedia, all advertisements without a correct TMK will be removed from the platform. Those average around 66 ads for Expedia and 339 for Airbnb whether they are legally allowed to operate or not.

# Ads	# RFS	# NOW	# NOV	Fines Assessed	Fines Collected	RFS Pending	RFS Closed
*NA	24	7	0	0	\$31,000	0	24

Vacation Rental Enforcement Quarterly Report

Date of report: January 31, 2023

The Department of Planning issues quarterly reports on transient vacation rental (TVR) enforcement. This report is for the period from October 1 to December 31, 2022, and provides data for advertisements, COM Connect (SCF) complaints received, notices of warning (NOW) and violation (NOV), and fines assessed and collected for illegal vacation rental activity in Maui County. Through agreements with Airbnb and Expedia, all advertisements without a correct TMK are also removed from those platforms. An average of approximately 120 each month are being removed from both hosting platforms for incorrect TMK entry, whether advertisers were legally allowed to operate or not.

# Ads	# SCF	# NOW	# NOV	Fines Assessed	Fines Collected	# SCF Closed	# PZ-E Pending
*NA	25	3	0	0	0	12	6

The Planning Department posts Quarterly reports on their enforcement of illegal vacation rentals. Violators initial fines start at \$20,000, with daily fines at \$10,000 per day. The Planning Department has a third party contractor to find violators as well as the Zoning and Enforcement Division. You can find their quarterly reports at <https://www.mauicounty.gov/121/Planning-Department>

M A U I
VACATION RENTAL
 ASSOCIATION

NUMBER OF RECORDS BY LAND USE CLASS FOR TAX YEAR 2022 - 2023					
LAND USE CLASS	HONOLULU C&C	MAUI COUNTY	HAWAII COUNTY	KAUAI COUNTY	STATEWIDE
Residential	256,924	0	37,748	7,712	302,384
Residential A	20,763	0	0	0	20,763
Non Owner-Occupied	0	17,989	0	0	17,989
Apartment	0	152	8,978	0	9,130
Commercial	6,806	2,228	2,182	1,030	12,246
Industrial	4,313	819	1,333	451	6,916
Agricultural/Native Forest	3,044	5,597	46,517	2,307	57,465
Vacant Agricultural	96	0	0	0	96
Conservation/Preservator	963	1,092	953	220	3,228
Hotel/Resort	8,720	513	108	3,333	12,674
Bed/Breakfast Home	0	0	0	0	0
Homeowner	0	0	41,516	0	41,516
Owner-Occupied	0	27,874	0	0	27,874
Homestead	0	0	0	12,006	12,006
Public Service	463	0	0	0	463
Time Share	0	2,481	0	0	2,481
Affordable Rental	0	0	1,570	0	1,570
Commercialized Residenti	0	160	0	0	160
Vacation Rental	0	0	0	3,999	3,999
Residential Investor	0	0	0	1,239	1,239
Short-Term Rental	0	13,744	0	0	13,744
Long-Term Rental	0	2,369	0	0	2,369
Commercialized Home Us	0	0	0	1,977	1,977
TOTAL	302,092	75,018	140,905	34,274	552,289

Note: Valuations do not include nontaxable parcels. Source: Technical Branch, Real Property Assessment Division, Department of Budget and Fiscal Services, City and County of Honolulu. August 2022

M A U I
VACATION RENTAL
 A S S O C I A T I O N

State Report Showing largest source of real property tax on Maui is from Vacation Rental Properties

COUNTY of MAUI REAL PROPERTY TAX VALUATION for TAX YEAR 2022 - 2023 (In Thousands of Dollars)								
Land Use Class	Gross Valuation As of 4/28/22	Total Exemptions	Net Valuation	50% Of Appeal Value	Number Of Appeals	Valuation For Tax Rate	Tax Rate Per \$1,000 Value	Amounts Raised By Taxation
Res. Non Owner-Occupied	\$ 16,471,164	\$ 910,965	\$ 15,560,199	\$ 23,265	54	\$ 15,536,933		\$ 109,772
Tier 1						\$ 10,072,731	\$5.85	\$ 58,925
Tier 2						\$ 3,879,135	\$8.00	\$ 31,033
Tier 3						\$ 1,585,068	\$12.50	\$ 19,813
Apartment	\$ 694,686	\$ 316,865	\$ 377,822	\$ -	0	\$ 377,822	\$3.50	\$ 1,322
Commercial	\$ 2,960,440	\$ 259,199	\$ 2,701,241	\$ 32,120	13	\$ 2,669,121	\$6.05	\$ 16,148
Industrial	\$ 2,235,149	\$ 148,479	\$ 2,086,670	\$ 11,998	4	\$ 2,074,671	\$7.05	\$ 14,626
Agricultural	\$ 1,410,082	\$ 89,332	\$ 1,320,750	\$ 10,559	118	\$ 1,310,192	\$5.74	\$ 7,520
Conservation	\$ 349,188	\$ 11,723	\$ 337,465	\$ 24,819	6	\$ 312,646	\$6.43	\$ 2,010
Hotel/Resort	\$ 4,214,601	\$ 5,556	\$ 4,209,044	\$ 504,323	73	\$ 3,704,722	\$11.75	\$ 43,530
Res. Owner-Occupied	\$ 20,897,182	\$ 5,792,786	\$ 15,104,395	\$ 1,476	9	\$ 15,102,919		\$ 30,607
Tier 1						\$ 13,419,846	\$2.00	\$ 26,840
Tier 2						\$ 1,302,105	\$2.10	\$ 2,734
Tier 3						\$ 380,968	\$2.71	\$ 1,032
Time Share	\$ 2,846,030	\$ -	\$ 2,846,030	\$ 33,048	954	\$ 2,812,982	\$14.60	\$ 41,070
Commercialized Residential	\$ 237,734	\$ 5,995	\$ 231,739	\$ 303	1	\$ 231,435	\$4.40	\$ 1,018
Short-Term Rental	\$ 13,473,256	\$ 860	\$ 13,472,396	\$ 16,510	93	\$ 13,455,886	\$11.85	\$ 159,452
Long-Term Rental	\$ 1,577,804	\$ 466,704	\$ 1,111,100	\$ 577	9	\$ 1,110,523		\$ 3,672
Tier 1						\$ 985,844	\$3.00	\$ 2,958
Tier 2						\$ 94,382	\$5.00	\$ 472
Tier 3						\$ 30,297	\$8.00	\$ 242
TOTAL	\$ 67,367,314	\$ 8,008,464	\$ 59,358,850	\$ 658,999	1,334	\$ 58,699,851		\$ 430,749

Note: Valuations do not include nontaxable parcels. Source: Technical Branch, Real Property Assessment Division, Department of Budget and Fiscal Services, City and County of Honolulu. August 2022

M A U I
VACATION RENTAL
 ASSOCIATION

Visitor Accommodations legally operating in Maui County
 Source: County of Maui Real Property Assessment Division Report 10/2022

<p>How many vacation rentals are there?</p> <p><small>Data source: County of Maui Real Property Assessment Division 2021 Maui Visitor Lodging Inventory</small></p>	Real Property Visitor Lodging Type	2021 Count	
	Hotel operations (41 hotels)	8,336	Rooms
	Residential condominiums used for transient lodging	13,029	Parcels
	Single family bed & breakfast	165	Parcels
	Permitted/grandfathered single family transient lodging	420	Parcels
	Timeshare dwelling condominium units	2,475	Parcels
	Hotel zoned condominiums not used for transient lodging	134	Parcels
Total visitor lodging units	24,425		



Additional Testimony from a legal permitted Maui Operator:

Aloha Representative Kyle Yamashita and the Finance Committee,

My husband is a Hawaiian, raised by a Hawaiian mother and adopted by a Japanese father. It is hard for locals to live the Maui dream due to rich investors moving on the island and increasing land pricing. The proposed tax increase will hurt our economy. Maui's main revenue is tourism, which helps our island economy and all locals' income.

Are we increasing the pricing so the middle class tourists can't afford to visit the islands? I feel the tax increase mainly affects the locals in a negative way. Many of the locals closed their doors when Covid-19 happened. Increasing taxes will continue this slow down and negatively impact tourism.

An increase in taxes will seriously hurt small businesses. We need our local small businesses to be accessible and affordable for all people including locals and middle class tourism. I strongly oppose the large increase of taxes currently being proposed.

Mahalo,

Tasey Miyahira, 110 Apau Place, Makawao, HI 96768 Cell 702-289-1745, Permit #STMP 2013-0001

HB-1375-HD-2

Submitted on: 2/23/2023 7:49:03 AM

Testimony for FIN on 2/24/2023 1:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Jessica Sarmiento	Individual	Support	Remotely Via Zoom

Comments:

Aloha,

My name is Jessica Sarmiento and I am testifying in support of HB1375. Relating to Tourism.

I was born in Kaua'i and have never left this island to live anywhere else. I go to a public highschool and currently have the benefit of experiencing the beautiful, vibrant plants and what it means to spread love and care to the people and environment around me.

I have done much research on the tourism industry and its effects so far are not desired in my perspective living in Hawai'i. Although it is nice to share our culture with those who come here, it becomes tough to watch the number of visitors rise closer to the number of residents in our islands.

Kauai is my home, and I would hate to see it turn into a city with tall skyscrapers or pedestrians walking dangerously across the road. The Hawaiian Tourism Authority has done its best on bringing out Hawaiian culture, but their best is not enough to keep our environment clean and sacred. As well as educate visitors on how to respect the land and the people.

While many individuals outside of Hawai'i continue to be attracted by the beautiful places we have and the hospitality we provide, HB 1375 assures that the attraction is true to reality. Where you cannot hike anywhere you want or take anything you want.

I am in favor of this bill because it provides the protection Hawai'i needs from the unwanted effects of the tourism industry, especially the dependence of visitors. This is not only beneficial for the residents here, but also for the plants, animals, and the land.

Mahalo

HB-1375-HD-2

Submitted on: 2/23/2023 10:32:40 AM

Testimony for FIN on 2/24/2023 1:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Edward Jones	Individual	Oppose	Remotely Via Zoom

Comments:

Aloha Chair Yamashita, Vice Chair Kitagawa, and members of the House Committee on Finance,

I oppose Bill HB1375 HD2 because the HTA has lost its way.

The HTA or this proposed successor organization does not have in its mission advocacy for ALL Hawai'i tourism activity.

The HTA commissioned study clearly shows flat customer demand from the hotel product and increased demand for a short-term rental product.

Through its testimony on numerous bills both at county and state, the HTA has shown its hostility to the legal \$1.5B+ short-term rental industry.

Hawai'i will benefit from an even handed ADVOCACY not "MANAGEMENT" of all tourism products.

Mahalo

Edward Jones
higov@paradiseip.com