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DEPARTMENT OF TAXATION

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

TESTIMONY ON THE FOLLOWING MEASURE:

S.B. No. 2831, Relating to the County Transient Accommodations Tax.

BEFORE THE:

Senate Committee on Government Operations

DATE: Tuesday, February 13, 2024

TIME: 4:00 p.m.

LOCATION: State Capitol, Room 225

Chair McKelvey, Vice-Chair Gabbard, and Members of the Committee:

The Department of Taxation ("Department") offers the following comments regarding S.B. 2831 for your consideration.

S.B. 2831 amends section 237D-2.5(a), Hawaii Revised Statutes (HRS), to authorize the Director of Taxation to assist Maui County with levying, assessing, collecting, and otherwise administering their county transient accommodations tax (CTAT) if the Director receives a written request from the Mayor. All CTAT paid into the state treasury after Director of Taxation assistance will be segregated in a special account by the Director of Finance; the Director of Finance will compute and pay the amount due into the County's general fund on or before January 1 or July 1 of each year. This assistance by the Director of Taxation would be authorized for a two-year period beginning on January 1, 2025. S.B. 2831 is effective upon approval.

The Department notes that since the counties adopted their ordinances imposing the CTAT, the Department has continued to support and work with the counties to assist with implementation and administration of the CTAT. The Department provides taxpayer data to the counties on a monthly basis and has provided additional support to the county administrators to assist them with understanding the data, understanding TAT law, and resolving taxpayer issues.

Although the Department is committed to continuing its partnership with the county of Maui, the Department's own staff shortages and limited resources will make it difficult to take on the additional task of administering the CTAT for Maui. Levying the CTAT for Maui will require the Department to commit resources to changing forms, instructions, the computer system, and revenue accounting, then changing everything back after the temporary assistance period has ended; taking on audit and assessment responsibilities will divert resources from the Department's Compliance Division, which is experiencing high rates of vacancies; and prioritizing collections of the CTAT will likely affect State tax collections.

Although the Department does not have the capacity to take on additional responsibilities to administer the CTAT for Maui, the Department remains committed to supporting Maui and is available to assist the county in exploring alternative solutions to improve administration of the CTAT.

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

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: TRANSIENT ACCOMMODATIONS, Assist County in Administering Transient Accommodations Tax

BILL NUMBER: SB 2831

INTRODUCED BY: HASHIMOTO, MCKELVEY

EXECUTIVE SUMMARY: Authorizes the Department of Taxation to assist a requesting county in levying, assessing, collecting, and otherwise administering the county transient accommodations tax, including delinquencies and penalties, for a 2-year period beginning 1/1/2025.

SYNOPSIS: Amends section 237D-2.5, HRS, to add a proviso saying that upon the written request of the mayor of a county having a population greater than one hundred thousand and less than two hundred thousand, the director of taxation shall be authorized for a two-year period beginning on January 1, 2025, to assist the county in levying, assessing, collecting, and otherwise administering the county transient accommodations tax, including delinquencies and penalties. All county transient accommodations taxes paid into the state treasury pursuant to this section shall be kept by the director of finance in a special account for distribution to the applicable county. On or before January 1 or July 1 of each year, the director of finance shall compute and pay the amount due to the applicable county, which shall become a general fund realization of the county.

EFFECTIVE DATE: Upon approval.

STAFF COMMENTS: The preamble to the bill represents that the Maui County Department of Finance is understaffed, with only 2 positions filled out of 8 authorized on the county TAT team.

Taking the representation at face value, it would appear that the relief in this bill is reasonable. To provide for the possibility of such relief in the future or for other counties in a similar pinch, we would recommend that the safety valve provided not be time- and county- specific; perhaps it could be triggered by the written request of a mayor that is approved by the Governor.

Digested: 2/12/2024

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February 12, 2024

TO: The Honorable Angus L.K. McKelvey, Chair, and
Members of the Senate Committee on Government Operations

FROM: Alice L. Lee
Council Chair 

SUBJECT: **HEARING OF FEBRUARY 13, 2024; TESTIMONY IN SUPPORT OF
SB2831, RELATING TO THE COUNTY TRANSIENT ACCOMMODATIONS
TAX**

I **support** this measure to authorize the Department of Taxation to assist a requesting county in levying, assessing, collecting, and otherwise administering the county transient accommodations tax (TAT), including delinquencies and penalties, for a two-year period beginning January 1, 2025.

I am providing this testimony in my capacity as an individual member of the Maui County Council.

I support this measure for the following reasons:

1. In the wake of the August 2023 Maui wildfires, the County of Maui is facing unanticipated revenue shortfalls, including in tax collections, and a heightened demand for resources to rebuild infrastructure.
2. In December 2023, the Office of the County Auditor of the County of Maui issued Report No. 23-01, noting significant delinquencies in collection of the county TAT. The county Department of Finance is understaffed, real property tax policies are being adjusted to account for large-scale property losses, and the need for support is acute.
3. Temporary assistance from the Department of Taxation, which already has the tools and expertise to efficiently collect TAT, would allow for the backlog in processing and scarcity of trained county TAT personnel to be addressed.

For the foregoing reasons, I **support** this measure.

LATE

SB-2831

Submitted on: 2/13/2024 9:39:09 AM

Testimony for GVO on 2/13/2024 4:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Victoria Johnson	Individual	Oppose	Written Testimony Only

Comments:

I oppose this as TOURISM is the MAIN factor that drives the Hawaiian economy. The state should not be adding more taxes to the tourism industry. By continuing to add more and more taxes the State could drive away tourist to other less expensive locations. The cost of Hawaii is high enough. NO MORE TAXES