

Honolulu, Hawaii

FEB 07 2012

RE: S.B. No. 2089

Honorable Shan S. Tsutsui
President of the Senate
Twenty-Sixth State Legislature
Regular Session of 2012
State of Hawaii

Sir:

Your Committee on Tourism, to which was referred S.B. No. 2089 entitled:

"A BILL FOR AN ACT RELATING TO TRANSIENT ACCOMMODATIONS,"

begs leave to report as follows:

The purpose and intent of this measure is to require:

- (1) Any nonresident owner who operates a transient accommodation located in the nonresident owner's private residence, including an apartment, unit, or townhouse, to employ a property manager approved by the Real Estate Commission;
- (2) The nonresident owner to furnish the name, address, and contact information of the property manager to any association of homeowners, community association, condominium association, cooperative, or any other nongovernmental entity with covenants, bylaws, and administrative provisions with which the owner's compliance is required; and
- (3) Any property manager authorized under an agreement by the nonresident owner to collect rent on behalf of the nonresident owner to comply with general excise tax and transient accommodations tax requirements.

Your Committee received testimony in support of this measure from the Department of Taxation; Department of Planning and Permitting, County of Honolulu; Exclusive Gateways; Whalers Realty



Management Company, Inc.; Kauai Exclusive Management; Resortica Hawaii; Save Oahu's Neighborhoods; and one individual. Your Committee received testimony in opposition to this measure from the Hawaii Association of REALTORS, Hawaii Vacation Rental Owners Association, and eleven individuals. Your Committee received comments on this measure from the Hawaii Tourism Authority and the Real Estate Commission.

Your Committee finds that with the advent of the Internet, there has been a significant increase of rental-by-owner activities occurring outside the State through internet bookings. These nonresident owners may or may not charge general excise and transient accommodations taxes on their reservations, and even if they do, they may not remit the taxes to the State. Since the transactions take place outside of Hawaii, it is difficult to determine how many violations occur and the resulting revenue loss to the State.

Your Committee understands that the lack of information hampers compliance efforts by the Department of Taxation, but points out that the problem is not a new one, and greater efforts must be made by the Department. Your Committee notes that the Hawaii Tourism Authority published a study in 2005 on the scope of the problem - estimating 9,000 units in noncompliance at the time - and that this information was shared with the Department.

Your Committee also finds that in addition to the tax ramifications addressed in this measure, nonresident owners who do not employ a Hawaii-based property manager leave their guests vulnerable in the case of emergencies or natural disasters, such as the tsunami alert in 2011, when absent owners do not provide appropriate and easily accessible emergency information. While this concern is not addressed in this measure, it further stresses the need for a Hawaii-based property manager.

As affirmed by the record of votes of the members of your Committee on Tourism that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2089 and recommends that it pass Second Reading and be referred to the Committee on Commerce and Consumer Protection.



Respectfully submitted on
behalf of the members of the
Committee on Tourism,

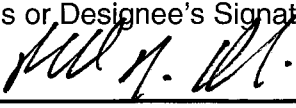


DONNA MERCADO KIM, Chair



The Senate
 Twenty-Sixth Legislature
 State of Hawai'i

Record of Votes
Committee on Tourism
TSM

Bill / Resolution No.:* SB2089	Committee Referral: TSM, CPN	Date: 2/2/12		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input checked="" type="checkbox"/> Pass, unamended 2312 <input type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
KIM, Donna Mercado (C)	✓			
KOUCHI, Ronald D. (VC)	✓			
GALUTERIA, Brickwood	✓			
KAHELE, Gilbert	✓			
SLOM, Sam		✓		
TOTAL	4	1		
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes