

Honolulu, Hawaii

May 1

, 2015

RE: H.B. No. 169
H.D. 1
S.D. 1
C.D. 1

Honorable Joseph M. Souki
Speaker, House of Representatives
Twenty-Eighth State Legislature
Regular Session of 2015
State of Hawaii

Honorable Donna Mercado Kim
President of the Senate
Twenty-Eighth State Legislature
Regular Session of 2015
State of Hawaii

Sir and Madam:

Your Committee on Conference on the disagreeing vote of the House of Representatives to the amendments proposed by the Senate in H.B. No. 169, H.D. 1, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

having met, and after full and free discussion, has agreed to recommend and does recommend to the respective Houses the final passage of this bill in an amended form.

The purpose of this measure is to promote fairness in the imposition of tax on different transient accommodation business models by amending the definition of "fair market rental value" applicable to the transient accommodations tax and gradually increasing the transient accommodations tax rate imposed on resort time share vacation units by 1 percent each year until the amount of the tax rate is increased from the current 7.25 percent to 9.25 percent.

Your Committee on Conference finds that a change to the definition of "fair market rental value" is in order because the Department of Taxation has not exercised its discretion to take into



account comparable transient accommodation rentals or other appraisal methods. However, the Department of Taxation believes that the scope of the gross daily maintenance fees should be clarified so that there is little question as to what is included and what is not included. The tax is based on the maintenance fees of the time share plan and does not include charges for optional goods or services such as food and beverage service. The purpose of this change is not intended to expand or reduce the scope of fees included in the gross daily maintenance fees, and as such, fees such as food and beverage, or other recreational rentals, as well as time share units' condominium association assessments should not be included.

Your Committee on Conference has amended this measure by:

- (1) Amending the definition of fair market value to:
 - (A) Clarify its application to time share units located in Hawaii;
 - (B) Specify that gross daily maintenance fees also include resort fees; and
 - (C) Exclude amounts paid for optional goods and services, such as food and beverage service;
- (2) Changing the effective dates of each tax rate as follows:
 - (A) The current 7.25 percent until December 31, 2015;
 - (B) 8.25 percent from January 1, 2016, to December 31, 2016; and
 - (C) 9.25 percent from January 1, 2017, and thereafter; and
- (3) Changing its effective date to January 1, 2016.

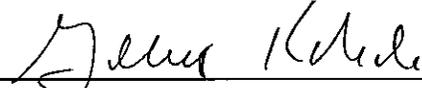
As affirmed by the record of votes of the managers of your Committee on Conference that is attached to this report, your Committee on Conference is in accord with the intent and purpose of H.B. No. 169, H.D. 1, S.D. 1, as amended herein, and recommends that it pass Final Reading in the form attached hereto as H.B. No. 169, H.D. 1, S.D. 1, C.D. 1.



Respectfully submitted on behalf
of the managers:

ON THE PART OF THE SENATE

ON THE PART OF THE HOUSE



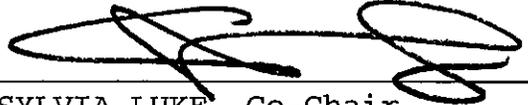
GILBERT KAHELE, Chair



TOM BROWER, Co-Chair

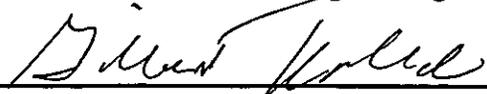
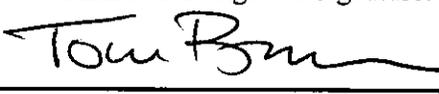


JILL N. TOKUDA, Co-Chair



SYLVIA LUKE, Co-Chair

Record of Votes of a
Conference Committee

Bill / Concurrent Resolution No.: HB 169, HD 1, SD 1					Date/Time: 5/1/15 4:00 PM						
<input checked="" type="checkbox"/> The recommendation of the House and Senate managers is to pass with amendments (CD).											
<input type="checkbox"/> The Committee is reconsidering its previous decision.											
<input type="checkbox"/> The recommendation of the Senate Manager(s) is to AGREE to the House amendments made to the Senate Measure					<input type="checkbox"/> The recommendation of the House Manager(s) is to AGREE to the Senate amendments made to the House Measure.						
Senate Managers		A	WR	N	E	House Managers		A	WR	N	E
KAHELE, Gilbert, Chr.		/				BROWER, Tom, Co-Chr.		/			
TOKUDA, Jill N., Co-Chr.		/				LUKE, Sylvia, Co-Chr.		/			
KOUCHI, Ronald D.				/		OHNO, Takashi				/	
						WARD, Gene				/	
TOTAL		2	0	0	1	TOTAL		2	0	1	1
A = Aye		WR = Aye with Reservations			N = Nay		E = Excused				
Senate Recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted					House Recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted						
Senate Lead Chair's or Designee's Signature: 					House Lead Chair's or Designee's Signature: 						
Distribution:		Original File with Conference Committee Report			Yellow House Clerk's Office		Pink Senate Clerk's Office		Goldenrod Drafting Agency		