

Honolulu, Hawaii

APR 10 2015

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

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

Madam:

Your Committee on Ways and Means, to which was referred H.B. No. 169, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose and intent of this measure is to address the transient accommodations tax imposed on resort time share vacation units.

More specifically, this measure:

- (1) Amends the definition of "fair market rental value;" and
- (2) Increases the rate of the transient accommodations tax imposed on resort time share vacation units by one percent each year to gradually achieve a rate of 9.25 percent of the fair market rental value.

Your Committee received written comments in support of this measure from Project Vision Hawaii. Your Committee received written comments in opposition to this measure from American Resort Development Association Hawaii, The Chamber of Commerce of Hawaii, and one individual. Your Committee received written comments on this measure from the Department of Taxation, Starwood Vacation Ownership, and the Tax Foundation of Hawaii.



Your Committee finds that current state law imposes a lower tax rate on resort time share vacation plans than on other transient accommodations, such as hotels. Under current law, the transient accommodations tax is imposed on hotels at a rate of 9.25 percent on the gross rental proceeds derived from furnishing transient accommodations. Resort time share vacation plans, however, are taxed at a rate of 7.25 percent on one-half the gross daily maintenance fees that are paid by the owner of a resort time share vacation unit.

Your Committee notes that the Department of Taxation has expressed concerns about the amendment to the definition of "fair market rental value" in this measure. Your Committee does not believe that resort time share operators will manipulate their operations to avoid the tax in the manner warned of by the Department. If such avoidance does occur, however, your Committee requests that the Department of Taxation notify the Legislature.

Your Committee has amended this measure by changing the effective date from July 1, 2020, to July 1, 2015.

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

Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,



JILL N. TOKUDA, Chair



