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# A BILL FOR AN ACT

RELATING TO TAXATION.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. The legislature finds that the tax formula for  
2 levying taxes on time share units has not been adjusted since  
3 the State began taxing time shares in 1998. When the  
4 legislature first enacted the tax scheme on time shares, the  
5 legislature sought to create tax equity between the hotel and  
6 time share markets. Accordingly, the existing tax formula for  
7 time shares is based on the "fair market rental value" of the  
8 time share unit. Unfortunately, the existing tax formula for  
9 time shares significantly underestimates the fair market rental  
10 value of many time share units, particularly those units that  
11 are not rented in the open market, and therefore often fails to  
12 assess taxes at a fair and proper rate. Consequently, the  
13 legislature finds that the formula for calculating the amount of  
14 tax owed by time share owners should be updated to better  
15 reflect economic and industry changes that have occurred in the  
16 more than two decades since the legislature first established  
17 the initial time share tax scheme.



1           The purpose of this Act is to update the formula for the  
2 amount of tax collected from time shares by increasing the base  
3 on which a time share is taxed from one-half of the gross daily  
4 maintenance fees paid by the owner of the time share to  
5 per cent of the of the gross daily maintenance fees paid by the  
6 owner of the time share and are attributable to the time share  
7 unit.

8           SECTION 2. Section 237D-1, Hawaii Revised Statutes, is  
9 amended by amending the definition of "fair market rental value"  
10 to read as follows:

11           "Fair market rental value" means an amount equal to [~~one-~~  
12 ~~half~~]            per cent of the gross daily maintenance fees that  
13 are paid by the owner and are attributable to the time share  
14 unit located in Hawaii. Gross daily maintenance fees include  
15 maintenance costs, operational costs, insurance, repair costs,  
16 administrative costs, taxes, other than transient accommodations  
17 taxes, resort fees, and other costs including payments required  
18 for reserves or sinking funds. Amounts paid for optional goods  
19 and services such as food and beverage services or beach chair  
20 or umbrella rentals shall be excluded from fair market rental  
21 value."



1 SECTION 3. Statutory material to be repealed is bracketed  
2 and stricken. New statutory material is underscored.

3 SECTION 4. This Act, upon its approval, shall apply to  
4 taxable years beginning after December 31, 2018.



**Report Title:**

Transient Accommodations Tax; Time Shares; Tax Base

**Description:**

Amends the formula for the amount of transient accommodations tax to be collected from time shares by increasing the base on which time share occupancy is taxed from one-half of the gross daily maintenance fees paid by the owner and are attributable to the time share unit to an unspecified per cent of the gross daily maintenance fees paid by the owner of the time share and are attributable to the time share unit. Applies to taxable years beginning after 12/31/2018. (SD2)

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

