
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 formula 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 on 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 formula.



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 gross daily maintenance fees paid by the owner
6 of the time share and attributable to the time share unit.

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

10 "Fair market rental value" means an amount equal to [~~one-~~
11 half] per cent of the gross daily maintenance fees that
12 are paid by the owner and are attributable to the time share
13 unit located in Hawaii. Gross daily maintenance fees include
14 maintenance costs, operational costs, insurance, repair costs,
15 administrative costs, taxes, other than transient accommodations
16 taxes, resort fees, and other costs including payments required
17 for reserves or sinking funds. Amounts paid for optional goods
18 and services such as food and beverage services or beach chair
19 or umbrella rentals shall be excluded from fair market rental
20 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 Statutory material to be repealed is bracketed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 be effective
4 January 1, 2020.

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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 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 attributable to the time share unit. Effective 1/1/2020. (SD1)

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