A BILL FOR AN ACT

RELATING TO TAXATION.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAI'I:

SECTION 1. The legislature finds that the tax formula for
levying taxes on time share units has not been adjusted since
the State began taxing time shares in 1998. When the
legislature first enacted the tax formula on time shares, the
legislature sought to create tax equity between the hotel and
time share markets. Accordingly, the existing tax formula for
time shares is based on the "fair market rental value" of the
time share unit. Unfortunately, the existing tax formula for
time shares significantly underestimates the fair market rental
value of many time share units, particularly those units that
are not rented on the open market, and therefore often fails to
assess taxes at a fair and proper rate. Consequently, the
legislature finds that the formula for calculating the amount of
tax owed by time share owners should be updated to better
reflect economic and industry changes that have occurred in the
more than two decades since the legislature first established
the initial time share tax formula.
The purpose of this Act is to update the formula for the amount of tax collected from time shares by increasing the base on which a time share is taxed from one-half of the gross daily maintenance fees paid by the owner of the time share to per cent of the gross daily maintenance fees paid by the owner of the time share and are attributable to the time share unit.

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

""Fair market rental value" means an amount equal to [one-half] per cent of the gross daily maintenance fees that are paid by the owner and are attributable to the time share unit located in Hawaii. Gross daily maintenance fees include maintenance costs, operational costs, insurance, repair costs, administrative costs, taxes, other than transient accommodations taxes, resort fees, and other costs including payments required for reserves or sinking funds. Amounts paid for optional goods and services such as food and beverage services or beach chair or umbrella rentals shall be excluded from fair market rental value."
SECTION 3. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 4. This Act, upon its approval, shall apply to taxable years beginning after December 31, 2019.

INTRODUCED BY:
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 12/31/2019.

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