

Honolulu, Hawaii

APR 09 2021

RE: H.B. No. 321
H.D. 1
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-First State Legislature
Regular Session of 2021
State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred H.B. No. 321, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO TRANSIENT ACCOMMODATIONS TAX,"

begs leave to report as follows:

The purpose and intent of this measure is to adjust the allocation of transient accommodations tax revenues.

More specifically, this measure:

- (1) Repeals the allocation of excess transient accommodations tax revenues:
 - (A) To the Turtle Bay Conservation Easement Special Fund;
 - (B) For the development and implementation of initiatives to take advantage of expanded visa programs and increased travel opportunities for international visitors to Hawaii;
 - (C) For the operation of a Hawaiian Center and the Museum of Hawaiian Music and Dance;



- (D) To the Tourism Special Fund for a safety and security budget;
 - (E) To the counties;
 - (F) To supplement deficient county public employer contribution amounts; and
 - (G) To the Special Land and Development Fund;
- (2) Makes the allocations to the Convention Center Enterprise Special Fund and Tourism Special Fund unspecified amounts; and
 - (3) Repeals obsolete references regarding the disposition of transient accommodations tax revenues.

Prior to decision making on this measure, your Committee made available for public review a Proposed S.D. 1 of this measure. The Proposed S.D. 1 deletes the existing provisions of this measure and replaces its contents with provisions to:

- (1) Repeal the allocation of transient accommodations tax revenues to the counties; and
- (2) Authorize each county to impose a county surcharge on the transient accommodations tax.

Your Committee received testimony in opposition to this measure from the Department of Budget and Fiscal Services of the City and County of Honolulu, Maui County Mayor's Office, Hawaii State Association of Counties, Fairmont Orchid, Hawaii Lodging and Tourism Association, Kohala Coast Resort Association, and Kona-Kohala Chamber of Commerce.

Your Committee received comments on this measure from the Department of Budget and Finance, Department of Taxation, Hawaii Tourism Authority, Grassroot Institute of Hawaii, and Tax Foundation of Hawaii.

Your Committee finds that, as a result of the coronavirus disease 2019 (COVID-19) pandemic and related mitigation measures, Hawaii has experienced a significant decrease in visitor arrivals



that has resulted in an extreme loss in revenues from the State's collection of transient accommodations tax. Your Committee also finds that, according to the Department of Business, Economic Development, and Tourism, transient accommodations tax revenues decreased by \$103,300,000 or 68.6 percent, in the second quarter of 2020 compared to the same quarter of 2019. As a result of this decrease in revenues, your Committee believes that transient accommodations tax allocations should be adjusted. Your Committee finds that this measure repeals the allocation of transient accommodations tax revenues to the counties, while providing the counties with a mechanism to replace the lost revenues.

Your Committee has amended this measure by adopting the Proposed S.D. 1 and further amending the Proposed S.D. 1 by:

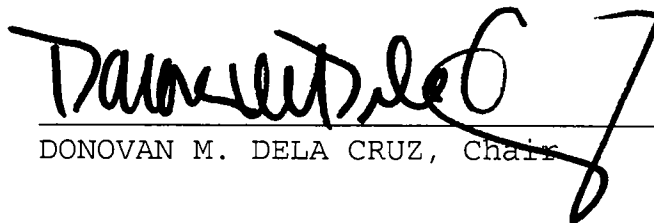
- (1) Changing the date by which a county may adopt an ordinance to establish a county surcharge on transient accommodations tax from December 31, 2023, to July 1, 2022;
- (2) Providing that the Department of Taxation shall begin to levy the county surcharge on transient accommodations tax on January 1, 2023;
- (3) Clarifying that the county surcharge on transient accommodations tax shall not apply to written contracts entered into before January 1, 2022; and
- (4) Deleting an unnecessary provision regarding fiscal year taxpayers and the taxable year in which the county surcharge on transient accommodations tax becomes effective.

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. 321, H.D. 1, as amended herein, and recommends that it pass



Second Reading in the form attached hereto as H.B. No. 321,
H.D. 1, S.D. 1, and be placed on the calendar for Third Reading.

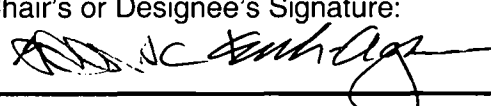
Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,


DONOVAN M. DELA CRUZ, Chair



The Senate
Thirty-First Legislature
State of Hawai'i

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:*	Committee Referral:	Date:		
HB 321, HD1	WAM	3/29/21		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
DELA CRUZ, Donovan M. (C)	X			
KEITH-AGARAN, Gilbert S.C. (VC)	X			
ENGLISH, J. Kalani	X			
INOUYE, Lorraine R.	X			
KANUHA, Dru Mamo	X			
KIDANI, Michelle N.	X			
MORIWAKI, Sharon Y.	X			
SHIMABUKURO, Maile S.L.				X
TANIGUCHI, Brian T.				X
WAKAI, Glenn				X
FEVELLA, Kurt	X			
TOTAL	8			3
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
				
Distribution:				
Original	Yellow	Pink	Goldenrod	
File with Committee Report	Clerk's Office	Drafting Agency	Committee File Copy	

*Only one measure per Record of Votes