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COUNTY COUNCIL
COUNTY OF MAUI
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April 22, 2015

The Honorable Sylvia Luke, Chair
Committee on Finance
State House of Representatives
415 South Beretania Street, Room 306
Honolulu, Hawaii 96813

Dear Chair Luke:

SUBJECT: CONCERNS WITH HB 134, RELATING TO TAXATION

Thank you for your leadership throughout this legislative session. At this time, the Maui County Council has not taken an official position on HB 134, and therefore, this letter is in my capacity as an individual member of the council.

It is my understanding that HB 134, HD1, SD 2, proposes that counties with a population equal to or less than five hundred thousand be allowed to impose a general excise tax surcharge for capital costs of public transportation.

At this time, I do not believe this is the best way to move forward. I have maintained that we cannot continue to burden our residents with additional taxes. On the neighbor islands, this holds particularly true, as our ***economic regrowth continues to lag behind Oahu.***

More importantly, the general excise tax is regressive, which means it imposes a greater burden on those who have less of an ability to pay. The general excise tax also applies to the sale of basic necessities such as food and medical services, items that are exempt from sales tax in most other states.

Instead of the surcharge for neighbor islands, I firmly believe that **increasing the counties' share of the Transient Accommodations Tax ("TAT") is more appropriate.**

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Local governments bear a significant responsibility for providing a wide-array of services and infrastructure necessary to support a vibrant visitor industry. For that reason, hotel room taxes like the TAT are established as municipal or county taxes throughout the nation.

Effectively, the State of Hawaii has increased its share of the TAT distribution by \$179 million since 2007 or 2,161.7 percent, while the **counties' were increased by a meager 2.2 percent.**

While the State has taken a greater share of the TAT for itself, the cost of core services provided to our residents and visitors have continued to increase. On average, costs for core services in Maui County from 2007 to 2014, increased 33 percent, or around \$27 million, yet Maui County has only received an increase in TAT revenue of \$508,623 or 2.2 percent over the same period.

It is often stated that counties should increase their property tax rates. We have done exactly that in response to declining property values. **Maui County has reduced exemptions and increased tax rates over the last five years.** The result is an increase of 29 percent in the effective tax rate per \$1,000 of property value. Along with our property taxes, the TAT distribution provides critical support for visitor-related infrastructure and operating expenses.

In conclusion, although the state and county are two different entities, to the taxpayer, it makes no difference. All they will see is in an increase in taxes. I believe a sensible solution exists to assist counties with their needs -- by increasing the TAT distribution.

I appreciate your consideration. If you have any questions or concerns, please do not hesitate to contact me at (808) 270-5507 or by e-mail at Mike.White@MauiCounty.us.

Sincerely,



MIKE WHITE
Council Chair