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COUNTY COUNCIL
COUNTY OF MAUI
200 S. HIGH STREET
WAILUKU, MAUI, HAWAII 96793
www.MauiCounty.us

December 30, 2015

Mr. Danny A. Mateo, County Clerk
Office of the County Clerk
County of Maui
Wailuku, Hawaii 96793

Dear Mr. Mateo:

SUBJECT: **TRANSIENT ACCOMMODATIONS TAX**
(PAF 15-237)

May I request the attached proposed resolution, entitled "URGING THE LEGISLATURE TO PROVIDE THE COUNTIES WITH THE SAME SHARE OF TRANSIENT ACCOMMODATIONS TAX REVENUE AS THE STATE," be placed on the next Council meeting agenda.

Sincerely,

A handwritten signature in blue ink, appearing to read "Mike White".

MIKE WHITE
Council Chair

paf:srs:15-237b

Enclosure

Resolution

No. _____

URGING THE LEGISLATURE TO PROVIDE THE COUNTIES WITH THE SAME SHARE OF TRANSIENT ACCOMMODATIONS TAX REVENUE AS THE STATE

WHEREAS, since 1987, the State of Hawaii has a tax upon room revenues derived from transient accommodations, known as the Transient Accommodations Tax, or TAT; and

WHEREAS, pursuant to Act 185 (1990), 95 percent of TAT revenue was returned to the counties under a statutorily established formula, with the State retaining 5 percent of the revenue for administrative purposes; and

WHEREAS, the State has subsequently diminished the counties' share of TAT revenue at various times for multiple purposes, for example, with revenue redirected to the Hawaii Convention Center and the Tourism Special Fund, respectively, and with artificial caps on distribution to the counties; and

WHEREAS, the Legislature dramatically reallocated TAT revenue to the State to help balance the State budget from 2007 to 2015, with economic downturn as the stated justification; and

WHEREAS, during this period, the State's TAT revenue increased by \$196.6 million, or 2,363 percent, while the counties' TAT revenue increased by only \$2.2 million, or 2.2 percent; and

WHEREAS, also during the same period, the counties have incurred major increases in costs for fire and police service, largely attributable to the terms of collective-bargaining agreements that were primarily negotiated and approved by the State; and

WHEREAS, a *Civil Beat* article entitled "Should Counties Get Bigger Share Of Hotel Tax Revenue?" reported the following on December 30, 2015:

The state has hauled in record amounts of TAT revenue over the past few years by limiting the counties' allocation. Without

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the cap, the counties would have seen millions of additional dollars as the tourism industry has grown.; and

WHEREAS, the counties use TAT revenue to cover a portion of their visitor-related expenditures, as they bear significant responsibility for providing the array of services and infrastructure necessary to support a vibrant visitor industry; and

WHEREAS, the vast inequity in TAT-revenue distribution between the state and the counties has resulted in the costs of tourist-related expenses being unfairly passed onto county taxpayers; and

WHEREAS, TAT revenue for Fiscal Year 2016 is expected to be about \$450 million; and

WHEREAS, the State-County Functions Working Group, created by Act 174 (2014) to study TAT-revenue distribution, issued its Final Report in December 2015; and

WHEREAS, the Working Group's Final Report recommended that: (1) about \$113 million of TAT revenue be allocated to four State special purposes (the Hawaii Convention Center, the Tourism Special Fund, the Turtle Bay conservation easement and the Special Land Development Fund); (2) of the remaining TAT revenue, 55 percent be allocated to the State and 45 percent shared by the counties, without the imposition of an artificial cap; and

WHEREAS, history and data support a more appropriate and equitable distribution, with the State and the counties each getting equal allocations of TAT revenue; and

WHEREAS, when the General Excise Tax is also taken into account, the State currently provides a mere 17 percent of overall lodging-related revenue to the counties; and

WHEREAS, according to the 2015 HVS Lodging Tax Report – USA, which surveyed 150 cities, counties, and special districts, 35 municipalities receive 100 percent of revenue from taxes on lodging, 127 receive 50 percent or more, and 148 receive at least 25 percent; and

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WHEREAS, the four Hawaii counties would rank 149th in percent of revenue from taxes on lodging, if included in the report; now, therefore,

BE IT RESOLVED by the Council of the County of Maui:

1. That it commends the members and staff of the State-County Functions Working Group for their exhaustive research and deliberations;
2. That it supports many of the findings of the Working Group's Final Report, including the elimination of artificial caps on distribution of Transient Accommodations Tax revenue to the counties;
3. That it does not support the recommendation in the Working Group's Final Report that the State receive 55 percent of available TAT revenue, leaving the counties with only 45 percent;
4. That it urges the State Legislature to enact legislation providing the counties with the same share of TAT revenue as the State;
5. That an equal split of TAT revenue between the State and the counties would be more consistent with the TAT's history and purpose, promote more fairness for county taxpayers, and promote a viable, sustainable visitor industry; and
6. That certified copies of this resolution be transmitted to the Honorable David Ige, Governor, State of Hawaii; the Honorable Shan S. Tsutsui, Lieutenant Governor, State of Hawaii; the Honorable Joseph M. Souki, Speaker, Hawaii State House of Representatives; the Honorable Ronald D. Kouchi, President, Hawaii State Senate; the Hawaii Council of Mayors; and the Executive Committee of the Hawaii State Association of Counties.