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February 13, 2017

TO: The Honorable Richard H.K. Onishi, Chair
House Committee on Tourism

FROM: Mike White
Council Chair

SUBJECT: **HEARING OF FEBRUARY 14, 2017; TESTIMONY IN STRONG OPPOSITION TO HB 1586, RELATING TO TAXATION**

Thank you for the opportunity to testify in **strong opposition** of this measure. The main focus of my opposition is on the phasing out of the county allocation of the transient accommodations tax ("TAT") revenues over a three-year period.

The Maui County Council has not had the opportunity to take a formal position on this particular measure. Therefore, I am providing this testimony in my capacity as an individual member of the Maui County Council. However, the Hawaii State Association of Counties, including the Maui County Council, supports the TAT allocation to the counties equal to 45 percent of the amount of revenues remaining after all other allocations are made.

I strongly **oppose** this measure for the following reasons:

1. Reducing the counties share of the TAT contradicts the conceptual basis for the tax, which was established to help the counties fund **visitor-related expenses** based on a **percentage of earned revenue**.

2. Over an eight year period, the counties have incurred $170 million in cost ***increases*** in fire, police, roads, and park services. County expenditures for tourism-related services continue to rise at a pace far exceeding the current distribution of TAT revenue. Sound fiscal practices favor a policy that **increases** the distribution of TAT revenue to the counties at the same rate that revenues grow – **NOT a decrease** in the distribution. By unfairly decreasing TAT revenue to the counties, the state has been effectively requiring residents to pay for the visitors' share of expenses.

3. The State-County Functions Working Group created under Act 174 (2014) issued a report that found the counties are responsible for 54 percent of net expenditures directly supporting tourism, while the State provides 46 percent. They recommended that after specific appropriations, the remainder of the TAT should be allocated to the State and counties, with the State receiving 55 percent, and the counties receiving 45 percent. **It did not recommend a decrease in the distribution.**

4. If TAT revenue is decreased, the counties will be forced to raise property taxes and **will place the burden of paying for visitor-related services on our local residents**. This is unfair, especially those who may rent their home. They will be left to pay more in their rent due to the trickle-down effect, and will likely compound Hawaii's affordable housing and homeless crises.

5. According to visitor-industry consultant HVS, Hawaii counties receive the lowest amount of taxes compared to our peers across the nation. Counties in Hawaii on average receive a 2.26 percent accommodations tax rate, which is less than a quarter of the 9.08 percent average among our national peers.

For the foregoing reasons, I **strongly oppose** this measure.

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