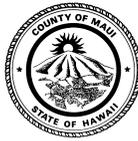


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**COUNTY COUNCIL**  
COUNTY OF MAUI  
200 S. HIGH STREET  
WAILUKU, MAUI, HAWAII 96793  
[www.MauiCounty.us](http://www.MauiCounty.us)

February 6, 2018

TO: The Honorable Glenn Wakai, Chair  
Senate Committee on Economic Development, Tourism and Technology

FROM: Mike White  
Council Chair 

SUBJECT: **HEARING OF FEBRUARY 7, 2018; TESTIMONY IN SUPPORT OF SB 2657, RELATING TO TRANSIENT ACCOMMODATIONS TAX**

Thank you for the opportunity to testify in **support** of this important measure. The purpose of this bill is to ensure the State receives the full amount of transient accommodations tax ("TAT"), calculated based upon the full or gross rental price paid by the visitor, whether that amount is collected by a local Hawaii operator, travel agent, wholesale travel company, or online by an online travel agency or booking platform.

The Maui County Council has not had the opportunity to take a formal position on this proposed bill. Therefore, I am providing this testimony in my capacity as an individual member of the Maui County Council.

I **support** this measure for the following reasons:

1. When chapter 237D, Hawaii Revised Statutes ("HRS") was originally passed, it did not contemplate the variety of methods that would be developed to market and sell transient accommodations, or the number of parties involved. The proposed bill brings the HRS up to date with current technology, including online websites and booking methods.
2. As a result, the State does not collect the full amount of TAT from accommodation remarketers like Expedia, Pleasant Hawaiian Holidays, Delta Vacations, VRBO, Travelocity, or Orbitz. If an accommodation sells for \$200 per night, for example, the remarketer will generate their portion of the revenue by negotiating a net rate of say, \$150. While remarketers are required to pay the general excise tax on their \$50 share, they are not responsible for collecting or paying TAT on their share. Some companies collect the TAT from the visitor and keep it, and others do not collect TAT.

February 6, 2018

Page 2

3. Through the way the law is currently written, TAT only needs to be paid to the State on the hypothetical \$150 paid to the accommodation operator, not the full \$200 market rate, despite consumers paying taxes on the higher amount. Remarketers who tax the TAT on the higher amount currently pocket the difference between taxes collected and what is required to be paid to the State.
4. Rough calculations indicate the State is likely missing out on upwards of \$1,100 of revenue per hotel room, per year. The proposed bill taxes gross proceeds collected from consumers, including applicable fees, thus closing the current loophole for remarketers.
5. The proposed bill rightfully holds each party involved in a transaction explicitly accountable for the payment of the TAT on their portion of proceeds, whether it be local operators, travel agents, wholesale travel companies, or online booking agencies or platforms. This brings fairness to the applicability of the TAT in such transactions.
6. From Fiscal Year 2007 to 2017, the four counties collectively received a mere \$2.2 million increase in TAT, while expenses for fire, police, and park services alone have increased by more than \$260 million. The proposed bill remits additional revenue to the counties to help support services and infrastructure vital to the booming visitor industry.

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