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

Sir:

Your Committee on Energy, Economic Development, and Tourism, to which was referred S.B. No. 775 entitled:

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

begs leave to report as follows:

The purpose and intent of this measure is to reduce the cost burden and negative impact from tourism on local residents by providing a mechanism to adjust the transient accommodations tax rate based on the number of tourists visiting Hawaii each calendar year.

Your Committee received testimony in support of this measure from the Department of Business, Economic Development, and Tourism. Your Committee received comments on this measure from the Department of Taxation, Department of Budget and Finance, Hawai'i Tourism Authority, Tax Foundation of Hawaii, and Hawai'i Lodging and Tourism Association.

Your Committee finds that tourism has been a critical industry and a pillar of Hawaii's modern economy for which the people of Hawaii are fortunate. With the numbers of tourists expected to continue to grow annually as Hawaii recovers from the coronavirus disease 2019 (COVID-19) pandemic, capturing additional dollars from tourism can help pay for public services,
infrastructure, and other needs that local taxpayers must currently pay for.

Your Committee further finds that to better manage tourism, the existing mechanism to adjust the transient accommodations tax should be modified by creating a more flexible method that allows for a base transient accommodations tax rate that fluctuates by a smaller percentage rate. Your Committee further finds that it is also important to provide clarity to hotels by requiring them to apply the transient accommodations tax rate at the time of the hotel booking.

Your Committee has amended this measure by:

(1) Changing the baseline transient accommodations tax rate to six percent based on visitor arrivals of six million;

(2) Adjusting the baseline transient accommodations tax rate by one percent per one million visitor arrivals of seven million visitor arrivals or more and decreasing it by one percent per one million visitor arrivals—but not falling below the baseline tax rate of six percent;

(3) Requiring the transient accommodations tax rate to apply at the time of the hotel booking;

(4) Requiring the Hawaii Tourism Authority and the State Data Book to determine and publish the annual visitor arrivals in the State for the preceding calendar year; and

(5) Changing the effective date of this measure to January 1, 2022.

As affirmed by the record of votes of the members of your Committee on Energy, Economic Development, and Tourism that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 775, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 775, S.D. 1, and be referred to your Committee on Ways and Means.
Respectfully submitted on behalf of the members of the Committee on Energy, Economic Development, and Tourism,

GLENN WAKAI, Chair
The Committee is reconsidering its previous decision on this measure.

If so, then the previous decision was to: _______________________________

### The Recommendation is:

- [ ] Pass, unamended
- [x] Pass, with amendments
- [ ] Hold
- [ ] Recommit

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<tr>
<th>Members</th>
<th>Aye</th>
<th>Aye (WR)</th>
<th>Nay</th>
<th>Excused</th>
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<td>WAKAI, Glenn (C)</td>
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<td>MISALUCHA, Bennette E. (VC)</td>
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<td>LEE, Chris</td>
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<td>RIVIERE, Gil</td>
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<td>FEVELLA, Kurt</td>
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**TOTAL**

|                | 4  | 0  | 0  | 1  |

Recommendation:

- [ ] Adopted
- [ ] Not Adopted

Chair’s or Designee’s Signature:

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*Only one measure per Record of Votes*