A BILL FOR AN ACT

RELATING TO THE TRANSIENT ACCOMMODATIONS TAX.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. The legislature finds that tourism has been a critical industry and pillar of Hawaii's modern economy for which the people of Hawaii are fortunate. However, as Hawaii continues to host record numbers of visitors annually, increasing traffic and crowds, conversion of long term housing units, and wear on public infrastructure, among other impacts, are beginning to take a toll on the quality of life for local residents.

The legislature further finds that in 2019, the islands hosted over ten million tourists, but with each visitor spending decreasingly less while here. With numbers of tourists expected to continue growing annually as Hawaii recovers from the coronavirus disease 2019 (COVID-19), capturing additional dollars from tourism can pay for public services, infrastructure, and other needs that local taxpayers must currently pay for. Such a market-based mechanism to capture additional visitor dollars as tourism increases can help both
regulate the number of tourists visiting Hawaii as well as reduce costs to local residents.

Therefore, the purpose of this Act is to reduce the cost burden and negative impact from tourism on local residents by adjusting the transient accommodation tax rate based on the number of tourists visiting Hawaii.

SECTION 2. Chapter 201, Hawaii Revised Statutes, is amended by adding a new section to part I to be appropriately designated and to read as follows:

"§201- Annual visitor report. Beginning on June 30, 2021, and each year thereafter, the director of the department shall determine and publish the annual visitor arrivals in the State for the preceding calendar year."

SECTION 3. Section 237D-2, Hawaii Revised Statutes, is amended by amending subsection (e) to read as follows:

"(e) Notwithstanding the tax rates established in subsections (a)(5) and (c)(3), the tax rates levied, assessed, and collected pursuant to subsections (a) and (c) shall be 10.25 per cent for the period beginning on January 1, 2018, to December 31, 2030; provided that:
(1) The tax revenues levied, assessed, and collected pursuant to this subsection that are in excess of the revenues realized from the levy, assessment, and collection of tax at the 9.25 per cent rate shall be deposited quarterly into the mass transit special fund established under section 248-2.7; [and]

(2) On January 1, 2023, and January 1 of each year thereafter, until December 31, 2030, if the total number of visitor arrivals in the State, as determined by the director of business, economic development, and tourism pursuant to section 201- , is:

(A) Nine million or greater, then the tax rate of the next calendar year shall be increased by two per cent; or

(B) Fewer than eight million, then the tax rate of the next calendar year shall be decreased by two per cent; but shall not fall below 10.25 per cent; and

(3) If a court of competent jurisdiction determines that the amount of county surcharge on state tax revenues deducted and withheld by the State, pursuant
to section 248-2.6, violates statutory or constitutional law and, as a result, awards moneys to a county with a population greater than five hundred thousand, then an amount equal to the monetary award shall be deducted and withheld from the tax revenues deposited under paragraph (1) into the mass transit special fund, and those funds shall be a general fund realization of the State.

The remaining tax revenues levied, assessed, and collected at the 9.25 per cent tax rate pursuant to subsections (a) and (c) shall be distributed in accordance with section 237D-6.5(b)."

SECTION 4. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 5. This Act shall take effect upon its approval.

INTRODUCED BY: [Signature]
Report Title:
Transient Accommodations Tax; Department of Business, Economic Development and Tourism; Rate Adjustment; Visitor Arrivals

Description:
Provides for a mechanism to adjust the transient accommodations tax rate based on visitor arrivals for a calendar year. Requires the director of department of business, economic development and tourism to determine and publish visitor arrivals annually.

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