



2014 Legislative Session Summary Report

Aloha!

The 2014 Hawaii State Legislative Session began on Wednesday, January 15th. Over 2000 bills were introduced in both the House and the Senate. The Hawaii Lodging & Tourism Association reviewed every bill and prioritized those that would either negatively or positively affect your business.

During the summer of 2013, the Senate created the Committee on Tourism, formally separated from the previous Senate Committee on Tourism and Hawaiian Affairs. Senator Gilbert Kahele and Senator Gilbert Keith-Agaran served as Chair and Vice Chair, respectively.

Senator David Ige and Senator Michelle Kidani served as the Chair and Vice Chair, respectively, of the Senate Committee on Ways and Means.

Representative Tom Brower and Representative Romy Chachola served as the Chair and Vice Chair, respectively, of the House Committee on Tourism.

Representative Sylvia Luke, Representative Scott Nishimoto, and Representative Aaron Ling Johanson served as the Chair and Vice Chairs, respectively, of the House Committee on Finance.

We thank the legislators noted above and numerous others for their support and recognition of the importance of the visitor industry in Hawaii. We would also like to express our appreciation to all of you, our HLTA members, who submitted testimony and contacted Legislators on behalf of our industry.

The following page contains a summary of some of the top issues that came up during Session. For more information on other bills HLTA opposed, supported, or monitored, see pages 3-6.

Mahalo & Aloha,

A handwritten signature in black ink that reads 'George D. Szigeti'. The signature is written in a cursive, flowing style.

George D. Szigeti
President & CEO

PRIORITY ISSUES

Minimum Wage:

Numerous bills were introduced in both the House and the Senate that called for an increase to the minimum wage. Two bills, SB2609 and HB580, gained the most traction. The original text for both bills called for staggered increases to the minimum wage over the next three (3) to four (4) years, future increases tied to the Consumer Price Index (CPI), and deleted the tip credit. HLTA worked with other entities and numerous legislators to remove mandated future increases based on the CPI and to include a tip credit. Both bills 'crossed over' to the other chamber; however, as with past years, the debate continued in Conference Committee. The Conference Committee agreed on a Conference Draft (CD1) of SB2609, which then passed Final Reading in both Chambers and was enrolled to the Governor on May 2nd.

SB2609 CD1 makes the following changes:

- Minimum wage increased to,
 - \$7.75 per hour beginning January 1, 2015
 - \$8.50 per hour beginning January 1, 2016
 - \$9.25 per hour beginning January 1, 2017
 - \$10.10 per hour beginning January 1, 2018
- Tip Credit increased to,
 - 50 cents per hour beginning January 1, 2015
 - 75 cents per hour beginning January 1, 2016
- To qualify for the tip credit, the employee must receive a combined total in wages and tips of at least \$7.00 more than the respective minimum wage.

Hotel Class Liquor License:

HB286, HB2568, and SB3074 proposed to amend the definition of "condominium hotel" and "hotel" by removing the need for a property to have a kitchen and dining room in order to obtain a Class 12 hotel liquor license. HLTA supported this bill as it would streamline and simplify the process for a hotel to obtain a liquor license. HB286 was signed into law on April 30, 2014 as **Act 57**.

Tax Exemptions for Construction/Renovation:

At the beginning of the Session, it appeared that the Legislature would pass at least one bill proposing tax exemptions for hotel construction or renovation. SB2336, SB2968, HB1594, HB2169, HB2170, and HB2171 all called for various forms of tax exemptions, and HLTA was actively supporting these bills as they moved through the House and Senate. HB2169 made it to Conference Committee; however, the House and Senate could not come to an agreement on the text of the bill, causing the bill to ultimately 'die.'

Transient Accommodations Tax & County Funding:

The original text of HB1671 called for a removal of the \$93 million cap on Transient Accommodations Tax revenues distributed to the counties and replace it with a percentage—44.8% of revenues collected. HB1671 ended up in Conference Committee, which agreed to increase the cap to \$103 million for fiscal years 2014-2015 and 2015-2016, then drop back to \$93 million thereafter. Both chambers supported this draft and it was transmitted to the Governor on May 5 to be signed into law.

HOUSE BILLS

| Bill | Name | Description | HLTA Position | Status |
|--|-------------------------------|---|---|---|
| HB286 HD1 SD1 Related: HB2568 | Hotel Class Liquor License | Deletes the requirement that a condominium hotel or hotel have a commercial kitchen and dining room for liquor licensing purposes. | Support — Simplifies procedure to obtain Hotel Class Liquor License. | Act 57 (4/30/2104) |
| HB378 HD1 SD2 | Beach Nourishment | Appropriates an unspecified amount of funds for the environmental impact statement associated with the planned beach nourishment project at Kaanapali beach on the island of Maui; provided that no funds shall be expended unless matched dollar-for-dollar with private funds. Effective 07/01/2050. | Monitor | DEAD Discharged by House conferee (s) |
| HB1024 HD1 SD2 Related: HB1607, HB1613, HB2233, HB2234, HB2477, SB2108, SB2112, SB2116 | Liability | Extends the sunset date that exempts county lifeguards from liability for any civil damages resulting from any act or omission within the scope of employment as a county lifeguard. | Support — Provides liability coverage for county lifeguards serving at state beaches. | Transmitted to Governor on 4/25/2014 |
| HB1594 HD2 | Taxation | Establishes a tax credit for qualified hotel facility construction or renovation costs. | Support — Creates incentive for construction and renovation. | DEAD Referred to TSM/WAM, not scheduled |
| HB1606 Related SB2115 | Taxation | Repeals deadline for counties electing to establish a county surcharge on state tax to pass an ordinance to enact the surcharge. Increases maximum rate of surcharge from 0.5% to 1%. Allows counties under 500,000 population to use proceeds without restriction. Reduces the amount deducted from the county surcharge on state tax to reimburse the State for costs of assessment, collection, and disposition from 10% to 2%. Makes permanent the counties' authority to establish a surcharge on state tax. | Oppose —GET increase. | DEAD Referred to FIN, not scheduled |

| Bill | Name | Description | HLTA Position | Status |
|--|-------------------------------|--|--|---|
| HB1671 HD1 SD1 CD1 | Transient Accommodations Tax | Increases the current cap on transient accommodations tax revenues to be distributed to the counties for two fiscal years. Establishes a working group to determine future county allocation ceiling amounts and the appropriate division of the provision of public services between the State and counties. | Support — Increases TAT revenues distributed to counties. | Transmitted to Governor on 5/5/2014 |
| HB1900 HD1 SD1 | Taxation of Destination Clubs | Establishes a transient accommodations tax on annual destination club plan managers based on fair market rental value of destination club units. Requires destination club membership plan managers to register with the Department of Taxation and keep records of annual destination club dues apportioned to the State. | Monitor | DEAD Conference Committee did not come to agreement |
| HB1961 HD2 Related: SB2123 | Workers' Compensation | Requires independent medical examinations and permanent impairment rating examinations for workers' compensation claims to be performed by physicians mutually agreed upon by employers and employees. Allows for the use of an out-of-state physician under certain conditions. | Oppose — Possible increase to premiums. | DEAD Referred to FIN, not scheduled |
| HB2169 HD1 SD1 | Tourism Stimulus Incentives | Provides qualified employers a nonrefundable income tax credit of a percentage of wages paid to qualified employees for a period after completion of hotel and resort construction or renovation. Provides a general excise tax and a use tax exemption for certain hotel and resort construction or renovation. | Support — Creates incentive for construction and renovation. | DEAD Conference Committee did not come to agreement |
| HB2170 HD2 SD2 Related: HB2171 | Taxation | Provides an income tax credit for costs incurred for new hotel construction. | Support — Creates incentive for construction and renovation. | DEAD Conference Committee did not come to agreement |

SENATE BILLS

| Bill | Name | Description | HLTA Position | Status |
|-----------------------|------------------------------|---|--|---|
| SB2014 | Transient Accommodations Tax | Increases the transient accommodations tax rate to 10.5 per cent on hotels with non-resident owners. | Oppose —Unfair TAT increase for non-resident owners. | DEAD Referred to TSM/JDL, not scheduled |
| SB2115 | Taxation | Repeals deadline for counties electing to establish a county surcharge on state tax to pass an ordinance to enact the surcharge. Increases maximum rate of surcharge from 0.5% to 1%. Allows counties under 500,000 population to use proceeds without restriction. Reduces the amount deducted from the county surcharge on state tax to reimburse the State for costs of assessment, collection, and disposition from 10% to 2%. Makes permanent the counties' authority to establish a surcharge on state tax. | Oppose —GET increase. | DEAD Referred to PSM/WAM, not scheduled |
| Related: HB1606 | | | | |
| SB2123 SD1 | Workers ' Compensation | Requires independent medical examinations and permanent impairment rating examinations for workers' compensation claims to be performed by physicians mutually agreed upon by employers and employees. Allows for the use of an out-of-state physician under certain conditions. | Oppose —Possible increase to premiums. | DEAD Referred to WAM, not scheduled |
| Related: HB1961 | | | | |
| SB2336 | Taxation | Creates a ten per cent tax credit for construction or renovation costs incurred on a qualified hotel facility before December 31, 2019. | Support —Creates incentive for construction and renovation. | DEAD Referred to TSM/WAM, not scheduled |
| SB2481 SD1 HD1 | Time Shares | Eliminates requirement that a manager of a time share plan located outside of Hawaii register in Hawaii as a time share plan manager. Recognizes that an association of time share owners may be any kind of nonprofit or not-for-profit entity. | Monitor/Support | Act 70 , sent to Governor on 5/1/2014 |

| Bill | Name | Description | HLTA Position | Status |
|--|-------------------------------|--|---|---|
| SB2609 SD1 HD2 CD1 <u>Related:</u> SB331, HB1488, HB1623, HB2136, HB2278, HB2580 | Minimum Wage | Increases minimum wage rate to \$7.75 per hour beginning on 1/1/15, \$8.50 per hour beginning on 1/1/16, \$9.25 per hour beginning on 1/1/17, and \$10.10 per hour beginning on 1/1/18. Increases the tip credit to 50 cents per hour beginning on 1/1/15, and 75 cents per hour beginning on 1/1/16; provided that beginning 1/1/15, the combined amount the employee receives in wages and tips is at least \$7 more than the applicable minimum wage. | Oppose — Increase to wages and other labor costs, such as TDI, UI, etc. | Enrolled to Governor on 5/2/2014 |
| SB2774 SD1 | Taxation of Destination Clubs | Establishes a tax on annual destination club dues apportioned to the State. Requires destination club membership plan managers to register with the department of taxation and keep records of annual destination club dues apportioned to the State. | Monitor | DEAD Referred to WAM, not scheduled |
| SB2952 | Time Shares | Prohibits development of time shares in special management areas. | Oppose —Would impact future time share construction and conversions. | DEAD WTL Deferred |
| SB2968 SD2 HD2 | Tourism Stimulus Initiatives | Provides an income tax credit for qualified hotel construction and renovation for taxable years beginning in the period after December 31, 2014, through December 31, 2019. | Support — Creates incentive for construction and renovation. | DEAD Conference Committee did not come to agreement |
| SB3074 | Hotel Class Liquor Licenses | Amends the definition of "hotel" for purposes of qualification for a hotel class liquor license by deleting requirement that a hotel have a kitchen and dining room. | Support — Simplifies procedure to obtain Hotel Class Liquor License. | Act 31 , sent to Governor on 4/23/2014 |