



HAWAI'I LODGING & TOURISM
A S S O C I A T I O N

Testimony of

Mufi Hannemann
President & CEO
Hawai'i Lodging & Tourism Association

before the
Committee on Finance

March 28, 2018
Senate Bill 2699 SD2 HD1: Relating to the Transient Accommodations Tax

Chair Luke, Vice Chair Cullen, and committee members:

On behalf of the Hawai'i Lodging & Tourism Association, the state's largest private-sector visitor industry organization with nearly 700 members, thank you for the opportunity to testify on Senate Bill 2699 SD2 HD1, which proposes to apply the transient accommodations tax to hotel resort fees.

We most strongly oppose this measure, for these reasons:

- The TAT is not applied to the resort fee because this charge is not part of a guest room or transient accommodation. It is for services or products used by guests, such as the use of gym and spa facilities, wifi, shuttle services, and so forth. However, the hotels do collect and remit to the state the general excise tax on these resort fees.
- Many lodging properties have decided to recover some of the costs of guest amenities through the resort fee. This fee customarily includes a bundle of services that would cost more individually if they were not grouped. Hotel surveys have revealed that guests prefer an all-inclusive resort fee rather than being charged for each service used, as was the practice in the past.
- Hotels have been transparent about these resort fees. They are fully disclosed on hotel websites, as well as on online booking engines and at the time of check-in.
- As an industry, we opposed a similar proposal in 2013 and again in 2014. Since then, our industry has continued to experience increased costs of doing business in terms of employee payroll and benefits, construction and maintenance, utilities, and higher taxes.
- The visitor industry, and Hawai'i's economy as a whole, have enjoyed six consecutive years of growth, meaning that TAT revenues have grown commensurately and so has the amount of revenue being diverted to the general fund. Not only is additional revenue being generated, but the visitor industry has to finance the City and County of Honolulu's rail project and is being asked to fund public education. This common practice of the hospitality industry footing the bill for new mandates

and to balance the budget with the only overarching justification given that the State needs the money is a dangerous pattern with no end in sight. Last session it was a new increase to the TAT, this year it's the TAT on resort fees, what will it be next year?

- Legislators promised that the TAT would revert back to 7.75 percent in 2015, but that provision died and we have since been on the watch for ever more increases. In fiscal year 2013, the general fund allocation from the TAT was 41.9%, five years later it ballooned to 52.3% and in fiscal year 2018 it grew to 60.4%.

The visitor industry is the economic driver for our economy. It generates more than 204,000 jobs, and raises \$545 million through the TAT alone, a tax that was just raised at the beginning of the year and is levied solely on the hotel, resort, and timeshare industry.

The visitor industry is a fragile and highly competitive industry and we are one of the highest taxed leisure and resort destinations in the country. Adding additional taxes on an already expensive destination only puts us at a disadvantage in the local and global markets.

Rather than continuing to balance the budget on the backs of the hospitality industry, if both legislative chambers came together with the Governor's concurrence, resolving the tax collection issue with transient vacation rentals would generate the additional revenue you seek.

For these reasons, we oppose this measure.

Mahalo for the opportunity to offer this testimony.

Sincerely,



Mufi Hannemann
President & CEO



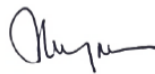
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Kelly Hoen, Area General Manager, Outrigger Reef Waikiki Beach Resort & Outrigger Waikiki Beach Resort
Revell K. Newton, General Manager, Outrigger Waikiki Beach Resort
Chryssaldo Thomas, Resort Manager, Outrigger Waikiki Beach Resort
Simeon Miranda, General Manager, Embassy Suites by Hilton Waikiki Beach Walk
Dan King, General Manager, Grand Hyatt Kaua`i Resort & Spa
Doug Sears, General Manager, Hyatt Regency Waikiki Beach Resort & Spa
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Matthew Bailey, President & COO, Aqua-Aston Hospitality
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Kaniela Neves, General Manager, Aston at the Waikiki Banyan
Chip Crosby, General Manager, Aston Waikiki Circle
Terry Dowsett, General Manager, Aston at the Executive Center Hotel
Doug Okada, General Manager, Aston Waikiki Sunset
Tim Clark, General Manager, Aqua Aloha Surf Waikiki
Lendy Ma, General Manager, Aqua Ewa Beach Hotel & Aqua White Sands Hotel
Wes Kawakami, General Manager, Ilikai Hotel
Wade Gesteuyala, General Manager, Hampton Inn & Suites by Hilton
Clem Lagundimao, General Manager, Luana Waikiki Hotel & Suites
Ward Almeida, General Manager, Lotus Honolulu at Diamond Head
Alberto Roque, Area General Manager, Pagoda Hotel
Patty Maher, General Manager, Aqua Palma Waikiki
Miho Kamanao-Espiritu, General Manager, Aqua Park Shore Waikiki
Brian Kovaloff, General Manager, Aqua Skyline at Island Colony
Lynette Eastman, General Manager, The Surfjack Hotel & Swim Club
Mark Mrantz, General Manager, Aston Kaanapali Shores
Brian Cox, General Manager, Aston Mahana at Kaanapali
Steven Berger, General Manager, Aston at the Maui Banyan
Greg Peros, General Manager, Aqua Maui Beach Hotel
Dawn Kane, VP, Principal Broker, Maui Condo & Home
Dennis Costa, General Manager, Aston Maui Hill
Lyn Molina, General Manager, Aston at Papakea & Aston Paki Maui
Grant James, General Manager, Aqua Kauai Beach Resort
Lori Morita, General Manager, Aston Islander on the Beach
Kyoko Kimura, Sr. Director Owner Relations, Aqua-Aston Hospitality
Michael Wilding, General Manager, Doubletree by Hilton Alana – Waikiki Beach

The Following is a list of hotels represented by the Hawaii Lodging & Tourism Association:

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| Aqua-Aston Hospitality, LLC | Aston at the Executive Centre Hotel |
| Castle Resorts & Hotels | Aston at the Maui Banyan |
| Colony Capital, LLC | Aston at the Waikiki Banyan |
| Halekulani Corporation | Aston at The Whaler on Kaanapali Beach |
| Hawaiian Hotels & Resorts, LLC | Aston Islander on the Beach |
| Highgate Hotels | Aston Kaanapali Shores |
| Hilton Grand Vacations | Aston Kona by the Sea |
| InterContinental Hotels Group | Aston Mahana at Kaanapali |
| Ko Olina Resort | Aston Maui Hill |
| Kyo-ya Company LLC | Aston Maui Kaanapali Villas |
| Kyo-ya Management Company, Ltd. | Aston Shores at Waikoloa |
| Lucky Hotels U.S.A. Co., Ltd. | Aston Waikiki Beach Hotel |
| Marriott International, Inc. | Aston Waikiki Beach Tower |
| Outrigger Enterprises Group | Aston Waikiki Beachside Hotel |
| Prince Resorts Hawaii, Inc. | Aston Waikiki Circle Hotel |
| Pulama Lana`i | Aston Waikiki Sunset |
| Sasada International, LLC | Aston Waikoloa Colony Villas |
| Aina Nalu Lahaina by Outrigger | Aulani, a Disney Resort & Spa |
| Airport Honolulu Hotel | Best Western Pioneer Inn |
| Ala Moana Hotel | Best Western The Plaza Hotel |
| Alohilani Resort Waikiki Beach | Breakers Hotel |
| Ambassador Hotel Waikiki | Coconut Waikiki Hotel |
| Andaz Maui at Wailea Resort | Courtyard by Marriott Kaua'i at Coconut Beach |
| Aqua Aloha Surf Waikiki | Courtyard by Marriott King Kamehameha's Kona Beach |
| Aqua Bamboo & Spa | Courtyard by Marriott Waikiki Beach |
| Aqua Kauai Beach Resort | Courtyard Oahu North Shore |
| Aqua Oasis | Doubletree by Hilton Alana Waikiki Hotel |
| Aqua Pacific Monarch | Embassy Suites by Hilton Oahu Kapolei |
| Aqua Palms Waikiki | Embassy Suites by Hilton Waikiki Beach Walk |
| Aqua Park Shore Waikiki | Ewa Hotel Waikiki - A Lite Hotel |
| Aqua Skyline at Island Colony | Fairmont Orchid Hawaii |
| Aqua White Sands Hotel | Four Seasons Resort Lana`i |
| Aston at Papakea Resort | Four Seasons Resort Maui |
| Aston at Poipu Kai | Four Seasons Resort O'ahu at Ko Olina |

Grand Hyatt Kauai Resort & Spa
Grand Nanioloa Hotel
Grand Wailea
Hale Koa Hotel
Halekulani
Hampton Inn & Suites, Kapolei
Hapuna Beach Prince Hotel
Hilton Garden Inn Kauai Wailua Bay
Hilton Garden Inn Waikiki Beach
Hilton Grand Vacations at Waikoloa Beach Resort
Hilton Grand Vacations Club
Hilton Hawaiian Village Waikiki Beach Resort
Hilton Waikiki Beach
Hilton Waikoloa Village Resort & Spa
Hokulani Waikiki by Hilton Grand Vacations Club
Holiday Inn Express Waikiki
Holiday Inn Waikiki Beachcomber Resort
Honua Kai Resort & Spa
Hotel Coral Reef Resort
Hotel Renew by Aston
Hotel Wailea Maui
Hyatt Centric Waikiki Beach
Hyatt Place Waikiki Beach
Hyatt Regency Maui Resort & Spa
Hyatt Regency Waikiki Beach Resort & Spa
Ilikai Hotel and Luxury Suites
Ilima Hotel
Ka`anapali Beach Club
Ka`anapali Beach Hotel
Kahana Falls
Kauai Marriott Resort & Beach Club
Kiahuna Plantation Resort by Castle Resorts
Ko`a Kea Hotel & Resort
Kona Coast Resort
Lawai Beach Resort
Lotus Honolulu at Diamond Head
Luana Waikiki Hotel and Suites
Marriott's Kauai Lagoons, Kalanipu'u
Marriott's Ko Olina Beach Club
Marriott's Maui Ocean Club
Marriott's Waiohai Beach Club
Maui Beach Hotel
Maui Coast Hotel
Maui Condo & Home, LLC
Maui Eldorado Kaanapali by Outrigger
Mauna Kea Resort
Mauna Lani Resort
Mauna Loa Village IOA
Moana Surfrider, A Westin Resort & Spa
Montage Kapalua Bay
Napili Kai Beach Resort
OHANA Waikiki East by Outrigger
OHANA Waikiki Malia
Ohia Waikiki Hotel
Outrigger Kiahuna Plantation
Outrigger Napili Shores
Outrigger Palms at Wailea
Outrigger Reef Waikiki Beach Resort
Outrigger Regency on Beachwalk
Outrigger Royal Sea Cliff
Outrigger Waikiki Beach Resort
Pacific Marina Inn
Pagoda Hotel
Pearl Hotel Waikiki
Plantation Hale Suites
Prince Waikiki
Queen Kapiolani
Raintree - Kona Reef Raintree Vacation Club
Ramada Plaza Waikiki
Royal Grove Hotel
Royal Kahana Maui by Outrigger
Royal Kona Resort
Royal Lahaina Resort
Sheraton Kauai Resort
Sheraton Kona Resort & Spa at Keauhou Bay
Sheraton Maui Resort and Spa
Sheraton Princess Kaiulani
Sheraton Waikiki Resort

Shoreline Hotel Waikiki
St. Regis Princeville Resort
Stay Hotel Waikiki
The Cliffs at Princeville
The Club at Kukui`ula
The Fairmont Kea Lani, Maui
The Imperial Hawaii Resort At Waikiki
The Kahala Hotel & Resort
The Laylow, Autograph Collection
The MODERN Honolulu
The New Otani Kaimana Beach Hotel
The Point at Poipu, Diamond Resorts International
The Ritz-Carlton Residences, Waikiki Beach
The Ritz-Carlton, Kapalua
The Royal Hawaiian, A Luxury Collection Resort
The Surfjack Hotel & Swim Club
The Westin Maui Resort & Spa
The Westin Princeville Ocean Resort Villas
Travaasa Hana
Trump International Hotel Waikiki
Turtle Bay Resort
Vive Hotel Waikiki
Waikiki Beach Marriott Resort & Spa
Waikiki Grand Hotel
Waikiki Parc Hotel
Waikiki Resort Hotel
Waikiki Sand Villa Hotel
Waikiki Shore
Waikoloa Beach Marriott Resort & Spa
Wailea Beach Marriott Resort & Spa
Waipouli Beach Resort & Spa by Outrigger
Westin Ka'anapali Ocean Resort Villas
Wyndham at Waikiki Beach Walk
Wyndham Vacation Resorts Royal Garden at Waikiki