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Don’t expand reach of TAT

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DENNIS ODA / 2015

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Since its inception in the mid-1980s, the state's transient accommodations tax (TAT) has been levied solely on hotel, resort and timeshare industry rooms. But the typical range of amenities included in a nightly room rate has changed over the years.

Oftentimes, amenities that in years past were built into the rate — such as in-room internet access, use of an in-room safe, pool and fitness center access, and housekeeping — are now bundled together as a so-called mandatory resort fee. This fee is now common on the mainland and internationally.

At the start of this year's legislative session, a bill pitched that aimed to subject the mandatory resort fee to the TAT seemed like a fair enough move as those sorts of fees were included in the original vision of the tax shouldered largely by tourists. By the end of the session, however, state lawmakers passed an over-reach version of Senate Bill 2699 that Gov. David Ige should now veto.

If the measure becomes law, the 10.25 percent TAT could be tacked on to virtually any lodging business transaction — mandatory as well as optional, both of which are already subject to the state's 4.5 percent general excise tax.

It's true that while the TAT has increased — bumping up over the years from its initial rate of 5 percent — it has so far not appeared to have adversely affected Hawaii's top industry. However, expanding the scope of the tax at this time could quickly over-burden tourists who are already shelling out comparatively high prices for hotel stays here.

On average, visitors paid almost $293 per night to stay in a Hawaii hotel during this year's first quarter — the highest rate in the nation, according to a Hawaii Hotel Performance Report released by the Hawaii Tourism Authority. Based on that figure, they also paid roughly $30.45 nightly for the TAT.

According to a recent study by Travel Hawaii, slightly more than 100 Hawaii hotels charge resort fees, ranging from $10 to $46 per day. Parking costs, which have been exempted from TAT collections, could run another $9 to $35 per day.

If SB 2699 becomes law, hotel, resort and timeshare visitors would automatically pay another $2 to $8 per night to cover TAT on resort fees and parking alone. When other transactions, such as those tied to conference events and wedding banquets are folded in, costs to the consumer could climb much higher.

Eric Gill, who serves as Unite Here Local 5's secretary-treasurer has rightly pointed out that such "nickel-and-diming undermines guest satisfaction," and can yield negative effects on everything from tipping to banquet bookings, which in turn affect the pocketbooks of the union's members. While Local 5 supported the original measure, it opposes the bill that's now on the governor's desk and could become law as soon as next month without a veto.

While subjecting the mandatory resort fee to the TAT might seem appropriate, the timing is not right. Not when Hawaii is ranked among the priciest states for a hotel stay. And not now, when the industry is bracing for drops in visitor counts due to Kilauea's lava flow and Kauai's north shore flood devastation in April.

Also looming on tourism's horizon is a concern about rising jet fuel prices. Two carriers — American Airlines and Delta Airlines — last week issued a warning that if costs remain high, ticket prices and related fees could go up. Pinched profits may prompt cutbacks on the number of seats for sale. Tourism officials here had projected that we would see an additional 600,000 new seats headed to the islands this year.

TAT collections have steadily increased over the past five years, with revenues topping $508 million for the first time in fiscal year 2017. More than half of the haul goes into the state's general fund. Also, last year, through Act 1 — a bailout measure for Honolulu's cash-strapped rail project — the Legislature increased the TAT by 1 percentage point, to 10.25 percent, for the next 13 years.

Supporters maintain that if Hawaii's booming tourism streak holds, SB 2699 could add upwards of $10 million a year in revenue to the state budget, which could be tapped to further address worthy issues ranging from homelessness and affordable housing to upgrading public schools and preservation of natural resources. Lawmakers who backed the bill also eyed the extra revenues to help offset the expenses of a growing aging population.

But in testimony opposing SB 2699 from its get-go, the Hawaii Lodging & Tourism Association, the state's largest private-sector visitor industry organization, expressed understandable exasperation. Its president, Mufi Hannemann, said turning to the industry to foot costs of "new mandates" and to "balance the budget, with the only overarching justification given that the state needs the money, is a dangerous pattern."

Yes. Although tourism has been thriving, this economic engine, which last year supported an estimated 204,000 jobs and raked in a total of nearly $2 billion in tax revenue, is also fragile.