

A FAIR SHARE OF THE TAT



ALLOCATION OF TRANSIENT ACCOMMODATIONS TAX (TAT) REVENUE



The State took the counties' TAT money to cover losses when times were challenging, but failed to make significant adjustments when county property values dropped by a greater percentage.

2009:

- Total State tax revenues dropped by 9.8% due to the economic downturn.
- The TAT was increased to 8.25% on July 1, 2009 and 9.25% on July 1, 2010 to offset the loss of revenues.
- At the same time, county revenues grew slightly with increasing property values.



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Council Chair White

2010:

Total State revenues began to increase, but remained below 2008 levels.

2011 & 2012:

The TAT distribution to the counties was capped at **\$93 million**. By this time, county property values were in significant decline and property tax revenues were eroding.



Where the State is today:

State revenues have rebounded by **34.4%** or nearly **\$1.8 billion** over 2010.



Cumulative revenue increase from 2010-2015

State **\$6.8 billion**

Where the counties are today:

County property tax revenues have grown by 8.8% or \$122.5 million and property values remain \$4.5 billion lower than in 2010.



Cumulative revenue increase from 2010-2015

Counties **\$31.5 million**

Increase in county property taxes?

2010-2015

By how much did the counties' effective property tax rate go up?



	Property values	Effective property rate per \$1000 value
C&C of Honolulu	5% up	6.1% up
Maui County	19.4% down	25.8% up
Hawaii County	8.1% down	17.7% up
Kauai County	7.6% down	15.3% up

Impact of the TAT cap plus 2% rate increase in TAT (7.25% to 9.25%):

- Increase in State's net TAT revenue from **\$8.3 million** in 2007 to nearly **\$205 million** in 2015.
- The counties are losing **\$85 million** annually.



A quick look at the growth of TAT

	Total TAT	Counties	State
1997	\$126 million	\$101.3 million	\$6.3 million
2007	\$224 million	\$101.8 million	\$8.3 million
2015	\$421 million	\$103.0 million	\$205.0 million

A quick look at the projected growth of State General Fund revenues:

- Projected revenues for FY2017 is
\$7,132,800,000
- This represents the following increases over previous years:
 - \$547,100,000 over FY2016 (8.3%)
 - \$825,000,000 over FY2015 (13.1%)
 - \$1,148,400,000 over FY 2014 (19.2%)

How much should the counties get?

COMPARING THE TAT SHARE INCREASE SINCE 2007
 BETWEEN STATE AND COUNTIES

State	Counties
2363%	2.2%
\$ 196,647,193	\$2,230,802

While counties don't receive a fair share of the TAT, costs related to public safety services have gone up.

Have the counties spending increased?

Cost includes operational and salary	FY 2015	Increase
4 Police Departments	\$93.9 M	31.7%
4 Fire Departments	\$60.5 M	41.2%
4 Parks Departments	\$15.9 M	14.4%
Total	\$170.3 M	30.8%



Have the counties spending increased?

For just the three departments, expenses have increased **more than \$170.3 million** since 2007.

But the **counties only get \$2.2 million** more annually for the same period.


Who's covering the cost? YOU.

The State has been requiring residents to pay for the visitors' share of expenses.

A map of the United States with the state of Hawaii highlighted in red. A small red box with the letters "HVS" is positioned over Hawaii. Below the map is a small inset image of a report cover titled "2014 HVS LODGING TAX REPORT USA".

How do we compare with other jurisdictions?


Out of 150 municipalities, Hawaii ranks 149th in receipt of all taxes on lodging establishments.
(sales tax, occupancy tax, special district tax, etc.)



- The State of Hawaii provides to the counties nearly the lowest percentage in lodging taxes:
 - Honolulu receives 20.4%
 - The Neighbor Islands receive 17.1%
- Compared to our peers nationally:

35 receive 100% of taxes on lodging	127 receive 50% or more	148 receive 25% or more
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Which municipality is 150th?
Rhode Island



Distribution of Rhode Island lodging tax revenues:

Regional tourism districts	33.8%	\$6,920,961
Municipalities (1% tax and share of 5% tax)	36.2%	\$7,415,454
State of Rhode Island	17.8%	\$3,647,821
Providence Warwick Conv. & Visitors Bureau	10.6%	\$2,178,928
Rhode Island Convention Center Authority	1.6%	\$318,016
	100%	\$20,481,180

State-County split: 67% County 33% State

Distributions based on 2015 Hawaii TAT and GET on lodging			
	Municipalities	State	Total
How much do our peers get?			
Average lodging tax rate and revenue distributions of	9.15%	4.33%	13.48%
150 municipalities	\$409,256,000	\$193,744,000	\$603,000,000
How much are Hawaii counties getting?			
Average lodging tax rate and revenue distribution based on	2.26%	10.99%	13.25%
current legislation	\$103,000,000	\$500,000,000	\$603,000,000

*Note: Average for HVS Study of 150 Cities: The figures include sales taxes, city taxes, county taxes and special district taxes on lodging revenues. No property taxes included. Figures do not include the .5% GET surcharge for C&C of Honolulu.

Distributions based on 2015 Hawaii TAT and GET on lodging			
	Counties	State	Total
How much should the counties get?			
Tax rates and distribution based on	4.63%	8.62%	13.25%
HSAC's Request	\$210,484,800	\$392,515,200	\$603,000,000
Tax rates and distribution based on legislation prior 2011 with counties receiving 44.8% of TAT	4.14%	9.11%	13.25%
	\$188,594,403	\$414,405,597	\$603,000,000
Tax rates and distribution based on TAT Working Group Proposal	3.05%	10.20%	13.25%
	\$138,586,300	\$464,413,700	\$603,000,000

Note: Hawaii amounts reflect General Excise Tax and Transient Accommodations Tax on lodging only. Figures do not include the .5% GET surcharge for C&C of Honolulu.



At a minimum,
the counties' share of
the TAT should be

50% of total
TAT collections.

The State feels we shouldn't give
the TAT to the counties without
getting something in return.



Counties' answer:
As partners in Hawaii's
governance, the State
should **RETURN**
the rightful share of the TAT to
the counties, which provides
essential services to our
residents.
Mahalo.