

# A FAIR SHARE OF THE TAT

## ALLOCATION OF TRANSIENT ACCOMMODATIONS TAX (TAT) REVENUE

Presentation prepared for the Policy and Intergovernmental  
Affairs Committee meeting of Dec. 14, 2015

By Council Chair Mike White, Maui County Council

The State took the counties' TAT money when needed, but made no significant adjustments since.

## *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.

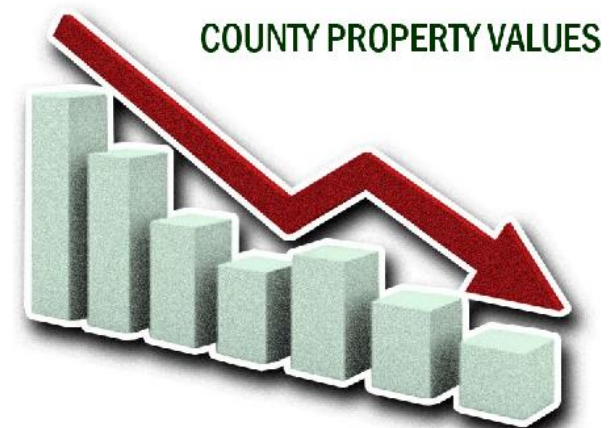


## *2010:*

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 we are today:*

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



Cumulative revenue increase from 2010-2015

State	<b>\$6.8 billion</b>
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## *Where we 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

County	<b>\$31.5 million</b>
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# Increase in county property taxes?

***2010-2015***

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



	Revenue increase	Property values	
C&C of Honolulu	11.4%	5% up	\$/1000 6.1%
Maui County	1.4%	19.4% down	25.8%
Hawaii County	8.2%	8.1% down	17.7%
Kauai County	6.6%	7.6% down	15.3%



## 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.

## COMPARE THE TAT SHARE INCREASE SINCE 2007 BETWEEN STATE AND COUNTIES

State	Counties
<b>2363%</b>	<b>2.2%</b>
<b>\$ 196,647,193</b>	<b>\$2,230,802</b>

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



**Maui County received \$508,600  
in additional TAT funds from 2007  
to 2015, but expenses have  
increased by \$62 million.**

<b>Cost includes operational, salary and fringe benefits</b>	<b>FY 2007</b>	<b>FY 2016</b>
<b>POLICE – 41% increase</b>	<b>\$62.4 M</b>	<b>\$88.3 M</b>
<b>FIRE – 76% increase</b>	<b>\$37.4 M</b>	<b>\$66 M</b>
<b>PARKS – 22% increase</b>	<b>\$34.5 M</b>	<b>\$42 M</b>



How do we  
compare with other  
jurisdictions?

Out of 150 municipalities, Hawaii  
ranks 149th in receipt of taxes  
from lodging establishments.



- The State of Hawaii provides a mere 17% of the overall taxes on lodging to the counties. From that:
  - 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

	Counties	State	Total
Average accommodations tax rate of 150 municipalities	9.08%	4.33%	13.41%
Current average accommodations tax rate for Hawaii counties	2.26%	10.99%	13.25%
Proposed 55-45 split accommodations tax rate by TAT Working Group	3.05%	10.20%	13.25%
Proposed 50-50 split accommodations tax rate by HSAC.	4.63%	8.63%	13.25%

With HSAC's proposed recommendation of a 50-50 split, we would only move up one step to a rank of **148<sup>th</sup>** compared to our peers nationally.

**At a minimum,  
the counties' share of  
the TAT should be fixed  
at 50%.**

**The State is not giving  
away the TAT for free!**



**Counties' answer:  
The State is not  
giving it away,  
the State should  
give it BACK  
to the counties.**

**Mahalo.**