

# BusinessWeek

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## Hawaii lawmakers consider more tourist taxes

By MARK NIESSE

### HONOLULU

Tourists may have to pay more for a Hawaii vacation as the state considers making them help balance its budget.

While Hawaii's leaders don't want to kill their "golden goose" of tourism, they're trying to keep middle-class residents from having to pay the state's big bills during this economic downturn, said Senate President Colleen Hanabusa.

The state Legislature advanced measures Tuesday that would allow a large increase in the tax visitors pay on hotel rooms, divert tourist revenue from the counties to the state and permit counties to charge a new 1 percent retail sales tax in return.

Under the proposed legislation, tourists would be most affected by a hike on the 7.25 percent accommodations tax, which could increase to as much as 12.25 percent.

"The idea is to have our visitors pay for this increase. After all, they enjoy the parks, they enjoy the beaches, they enjoy everything that we pay for year in and year out," said House Finance Committee chairman Rep. Marcus Oshiro, D-Wahiawa-Poamoho. "It's our way of having our visitors contribute to maintaining these services."

The state could add about \$100 million to its budget by keeping the hotel tax for itself rather than distributing it to the state's four island counties, Oshiro said. "That would contribute to a budget projected to be about \$2 billion less than the previous two-year state budget.

The proposals come as Hawaii's tourism industry struggles as a result of the global economic crisis. A report from the state business and tourism department two weeks ago showed visitor arrivals for February declined 12.7 percent compared to the same month in 2008 and visitor spending fell 15.9 percent, or by \$161 million, to \$852.5 million.

Outnumbered Republican lawmakers are wary of plans to make tourists pay more because they could decide to visit friendlier locales instead.

"When we say, 'We're going to get a free ride with the tourists,' I think that's a little bit of a deception. There's no such thing as a free lunch," said Rep. Gene Ward, R-Kalama Valley-Hawaii Kai.

But the goal of Democrats backing the hotel tax measures is to protect Hawaii residents from more severe tax increases and government worker layoffs.

"It wouldn't impact our residents. It would be those who would come here as visitors," said Hanabusa, D-Nanakuli-Makua. "The bulk of the population needs as much protection as we can afford."

The proposed tax increases would compensate the counties for the state's money grab, although legislators acknowledge they'll be difficult to pass into law because even some majority Democrats oppose it. Republican Gov. Linda Lingle has promised to veto any legislation that increases transient accommodation or personal

income taxes.

A 1 percent jump in the tourist tax is projected to generate \$30 million in annual government revenues, Oshiro said.

The Hawaii House of Representatives and Senate voted Tuesday on more than 300 bills, which represent about one-tenth of the legislation that was initially proposed when this year's session began in January.

They rushed to pass the measures before a Thursday deadline for legislation to pass both chambers before being assigned to conference committees for further negotiation.

Another bill that passed the Senate on Tuesday would increase the tax burden on the relatively wealthy. The measure would raise the top tax rate to 12 percent for those making more than \$200,000. The current top tax rate is 8.25 percent.

Opponents of the idea called it "class warfare."

"We shouldn't be pitting the poor against the wealthy," said Minority Leader Sen. Fred Hemmings, R-Lanikai-Waimanalo. "We really need to look at better ways of balancing the budget rather than increasing taxes."

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