

views & voices

ISLAND VOICES

TAT already applies to TVRs but state lacks capability to ensure compliance

By Adam Leamy

Disservice.

A troubling word in a state where tourism is so important.

An apt word, though, when something is written about Hawaii tourism that's harmful to it.

That's what occurred in the editorial, "TAT should apply to non-hotels, too" (Star-Advertiser, Our View, Nov. 2).

The view spoke to Hawaii's transient accommodations tax (TAT), urging its application to transient vacation rentals (TVRs).

It said providers of the TVR-accommodation option are not required to collect and remit the TAT.

The thing is, they are. In September 2014, Hawaii's Regulated Industries Complaints Office published "Information for Owners of Rental Property," which allows owners to know their legal responsibilities.

Same with the Hawaii Real Estate Commission's August 2014 Bulletin, at page 7, which also offers instruction from the Hawaii Department of Taxation (DoTax) on compliance in respect of Act 326, "Transient Accommodations."

Hawaii state law has always required TVR operators to collect and remit to the state the TAT and the general excise tax (GET).

And two additional laws (Act 326 in 2012 and Act 204 in 2015) provided additional tax reporting requirements for non-hotel accommodation providers.

Therein lies the disservice done by the editorial: Calling for new laws when existing laws aren't enforced by the state.

Those harmed are legal operators of TVRs, and the millions of visitors each year who expect from Hawaii this same form of



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accommodation accessible in any global tourism destination.

PUT SIMPLY, DoTax success in tax enforcement and collection is critical for all who rely upon and consume state services and supports — residents and visitors alike. But Hawaii collection of GET and TAT requires enforcement of Hawaii tax laws by the Hawaii DoTax. Yet DoTax has not been provided the human and technological resources to enforce the existing laws.

Evidence for this is the Nov. 25, 2014, letter to the governor from the director of taxation prefacing the DoTax annual report for fiscal year 2014.

The letter advises that the department collects 95 percent of all state taxes. Collection of the state's largest source of revenue — the GET, a whopping 44 percent of the state's total tax collection — dropped by 2 percent from the year previous.

"We recognized that taxpayers may fall out of compliance if they are not promptly served when they have questions about filing or paying their taxes. Our call answer rate (the



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These bins filled with tax forms waiting to be filed at the state Department of Taxation in June hint at the inefficiency of the state tax-collection system.

percentage of incoming calls that are answered) had fallen from 80 percent in FY 2009 to 61 percent in FY 2010 and to 40 percent in FY 2011. We were able to improve the answer rate to 56 percent in FY 2012 and to 59 percent in FY 2013, but the answer rate fell to 42 percent in FY 2014. The Customer Inquiry Section still has many unfilled positions.

We continue to strive to improve operations that were significantly impaired by the staffing reductions of FY 2009-2011. The 43 abolished positions and 59 frozen positions represented a 26 percent reduction in available staff hours and resulted in a significant backlog of work."

STAFFING reductions. Abolished positions. Inability to answer taxpayers

questions when tax compliance hangs in the balance. In the agency that ensures compliance and collects the money?

Perhaps there's a reason to impair the tax-enforcement-and-collection agency. But doing so removes credibility from all who would isolate supposed vacation-rental tax cheats as the problem.

As DoTax makes clear, it doesn't have the resources to ensure tax compliance from any source of commerce, from newspaper publishers to hoteliers.

The measures required are not more laws on TVRs. What's required is resourcing of the Hawaii Department of Taxation so it can counter its admission that it "can't tax," and fulfil, through enforcement, its "Do Tax" acronym.