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City and County of Honolulu Oahu Transient Accommodations Tax (OTAT) Announcement December 14, 2021

The purpose of this Announcement is to notify the public of the new Oahu Transient Accommodations Tax ("OTAT") effective December 14, 2021 and provide information for taxpayers subject to the OTAT.

Background

On March 4, 2020, the Governor issued a Proclamation and Executive Orders related to the COVID-19 Emergency. In April 2020, under the Sixth Supplementary Proclamation, Section 237D-6.5(b), the State suspended distribution of the Transient Accommodations Tax ("TAT") to the counties, resulting in the counties' share of TAT allocation coming to an end.

Act 1, 1st Special Session 2021, which became effective on July 1, 2021, repealed the State's allocation of TAT to the counties and instead allowed the four counties the right to establish and administer their own transient accommodations tax at a maximum rate of 3%. In order to establish the OTAT, the City and County of Honolulu ("City") was required to first enact a local ordinance. The Director of Budget and Fiscal Services is granted the same authority that the State Director of Taxation has under chapter 237D, Hawai'i Revised Statutes (HRS).

The City and County of Honolulu's City Council introduced Bill 40 (2021) to establish Chapter 8A relating to the Transient Accommodations Tax on September 30, 2021. The bill passed first reading on October 6, 2021. The bill passed second reading with amendments by the City Council Committee on Budget, on November 10, 2021. The bill was posted for third and final reading with further amendments on November 24, 2021. On December 1, 2021, Bill 40 (2021), CD2, FD1 was approved by Council and Ordinance No. 21-33 was signed into law by Mayor Rick Blangiardi on December 14, 2021. Therefore, the OTAT will be assessed effective December 14, 2021.

Imposition of OTAT

Effective July 1, 2021, Act 1, 1st Special Session 2021, repealed the State's allocation of TAT to the four

Counties, and instead allowed the Counties the right to assess, administer and collect their own TAT up to a maximum rate of 3%.

The OTAT is a tax levied at a rate of 3% on the gross rental or gross rental proceeds derived from furnishing transient accommodations, on the fair market rental value of a time share vacation unit, and on the gross rental proceeds received by transient accommodations brokers, travel agents, and tour packagers who enter in arrangements to furnish transient accommodations at noncommissioned negotiated contract rates.

On December 14, 2021, Ordinance No. 21-33 was signed into law by Mayor Rick Blangiardi, and therefore the OTAT will be assessed effective December 14, 2021 at a rate of 3% on all gross rental, gross rental proceeds, and fair market rental value considered taxable under the definitions of Section 237D-1, HRS.