From: Inna Worrall
To: Planning LPC Testimony
Subject: RECOGNIZING HOSTED BED & BREAKFASTS AS A DISTINCT SHARING-ECONOMY CATEGORY
Date: Wednesday, June 24, 2026 9:01:01 AM

Aloha Chair and Members,

I respectfully ask the Legislature to recognize that owner-occupied hosted Bed & Breakfasts are fundamentally different from hotels and unhosted vacation rentals. Hosted B&Bs are small sharing-economy operations that utilize existing residential space, support local families and communities, and have impacts that differ substantially from commercial lodging businesses. I urge the Legislature to adopt separate regulatory and tax treatment for hosted B&Bs, including maintaining the HOMEOWNER property tax classification, reducing the short-term rental definition from 180 days to 30 days, allowing normal residential amenities, avoiding duplicative registration requirements, and providing a fair transition period for operators affected by future regulatory changes.

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SHARING ECONOMY

Hosted Bed and Breakfast model is part of the sharing economy, while unhosted vacation rentals or hotels are not part of the sharing economy.

The sharing economy is not a new concept. A useful example is the evolution of ride-sharing services. When ride-sharing platforms first emerged, traditional taxi companies strongly opposed them. Yet over time, ride-sharing proved that underutilized personal assets—in that case, private vehicles—could be used more efficiently to benefit both providers and consumers. Today, transportation includes both traditional taxis and ride-sharing services, each serving different needs. The sharing economy did not eliminate transportation options; it expanded them.

Hosted Bed & Breakfasts represent a similar concept. This model allows local families to share resources they already have rather than requiring new construction, additional infrastructure, or further development of Hawai‘i’s limited land.

Hosted B&Bs allow homeowners to make limited use of existing underutilized space within their homes, providing visitors with additional accommodation choices while helping local families offset rising costs. Unlike large commercial operators, most hosted B&B owners are ordinary local residents with no corporate backing, investment funds, or large-scale resources. We rely entirely on our own homes, our own or locally sourced labor, and a regulatory environment.

I am a homeowner and a Bed & Breakfast operator. My husband and I are retirees. We purchased a larger home with the expectation that it would remain a gathering place for our large extended family. As elderly homeowners, we rely on visits from children, grandchildren, great-grandchildren, siblings, and other relatives who come not only to spend time with us but also to help with projects, maintenance, and support that become increasingly important as we age. The guest suite, which occupies 1/6 of our house, was originally intended for family use, and renting it between family visits provides supplemental income while preserving a place for our family to stay when they visit.

Recent changes under Bill 47, along with proposals in Bill 147, impose significant new burdens on small operators like us, in addition to existing taxes and other costs.

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RECLASSIFICATION UNFAIRNESS

Hosted B&B operators continue to live in their homes and remain part of the communities and contributing generated income to the communities. In contrast, owners of hotels and many unhosted vacation rentals are generally not required to reside on the property, on the island, or even in Hawaiʻi state. This fundamental difference makes it difficult to justify treating hosted B&Bs as equivalent to commercial lodging operations.

Typically, homeowners do not host more people than their homes were originally designed to accommodate. For example, a three-bedroom home is generally intended to house up to six occupants. Replacing family members with a similar number of short-term or long-term guests does not increase the home's physical footprint, or occupancy beyond its intended design capacity.

The property's assessed value, purchase price, and existing property taxes already reflect that capacity. As a result, a hosted B&B or long-term rental generally does not create additional housing density or place a greater burden on infrastructure than the home was originally built to support.

Owner-occupied hosted B&Bs should be recognized as a distinct category and should not be subject to property tax reclassification or tax increases designed for commercial accommodations.

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SHORT TERM DEFINITION

One of the ongoing challenges is the definition of the Short Term. Our average guest stay was only 3.5 days, and the longest stay we have ever hosted was 28 days. People staying longer than that but less than 180 days are still facing added TAT which makes it unaffordable for them. A 180-day threshold does not reflect the realities of hosted B&B operations and prevents homeowners from accommodating seasonal workers, traveling medical personnel, temporary employees, visiting professionals, displaced residents, and others who need cheaper housing for periods of one to several months.

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POLICY CONTRADICTION

There is a significant policy contradiction. B&B units are limited to a kitchenette without proper kitchen amenities. Existing zoning rules may treat a second kitchen as evidence of an unauthorized dwelling unit. It is unrealistic, especially in Hawaiʻi, to expect someone staying for more than a month to rely on a mini refrigerator and restaurant meals alone. Longer-term occupants reasonably require access to a kitchen sink, full-size refrigerator, and cooking facilities. Homeowners should not be placed in the situation where the unit is considered suitable for renting but at the same time facing zoning violation.

If the goal is to encourage more long-term housing opportunities, a more practical approach would be to allow homeowners to have normal kitchen amenities. This will allow flexibility to alternate between family use, short-term accommodations, and medium-term or long-term rentals as community needs change.

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INCONSISTENT PARKING REQUIREMENT

In many Kona neighborhoods, steep terrain and small lots make it impractical to provide additional on-site parking, when adequate parking is available along public road shoulders. Family members, long-term tenants, and other residents are generally permitted to park legally on public streets, yet short-term rental guests may be subject to more restrictive parking requirements. If the same roadway can safely accommodate local residents and visitors' family members, it is difficult to justify treating short-term rental guests differently. Parking regulations should reflect actual impacts on public safety and neighborhood access rather than the status of the occupant.

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REGISTRATION REDUNDANCY

When I started my hosted B&B, I obtained a business license, registered for both TAT and GET, and have consistently paid state and federal income taxes. My business has been fully disclosed to multiple government agencies and has operated transparently under existing requirements. For small operators who are already registered and paying all applicable taxes, an additional registration process appears largely duplicative and creates another administrative burden without providing significant new information to the government.

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DISPROPORTIONATE FINANCIAL AND ADMINISTRATIVE BURDEN

The current policies disproportionately impact the smallest operators while having far less effect on large commercial accommodations. Reclassifying a small hosted B&B from the Homeowner classification to the Residential classification can result in a significant property tax increase. Based on my own calculations, periodically renting a small portion of the home in which my family resides may result in a substantially higher tax burden relative to income than operating an entire vacation rental property.

The same disproportionality applies to registration fees. A homeowner renting only one-sixth of a house may pay a $250 annual registration fee, while an operator renting an entire house may pay only $500, despite the potential to generate many times more income. Fixed fees place a much heavier burden on small operators than on larger commercial businesses.

Administrative requirements create an additional burden. Small hosted B&B operators are already required to maintain business registrations, file GET and TAT returns, and report state and federal income taxes. Tax filing frequencies may change based on income levels, requiring additional paperwork and formal requests to adjust filing schedules. Most small hosts do not employ accountants and manage these responsibilities themselves.

For small owner-occupied B&Bs, the cumulative burden of taxes, registrations, reporting requirements, and annual fees can become disproportionate to the income generated. If registration fees are deemed necessary, a simpler approach would be to incorporate them into existing annual tax filings rather than creating an additional registration and renewal process.

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ORDERLY AND SAFE EXIT FROM THE HOSTED B&B MARKET

If hosted B&B operations become economically or legally unsustainable, homeowners should be able to exit the business in an orderly and safe manner. Unlike many other forms of business, hosted accommodations involve advance bookings that are often made weeks or months in advance. As a result, an abrupt prohibition or regulatory change can leave operators unable to honor existing reservations.

Legislative and regulatory frameworks should therefore consider transition provisions that allow current bookings to be completed and provide a reasonable wind-down period for affected operators. This ensures that homeowners are not forced into sudden financial losses or contract violations due to regulatory changes beyond their control.

Homeowners who come forward and register within the designated transition period should not be subject to retroactive penalties, back taxes, or punitive enforcement for prior periods of operation. A fair regulatory system should encourage transparency and participation rather than discourage it through the threat of retrospective financial consequences.

A coordinated and predictable transition is also important for the broader tourism system. Large-scale cancellations across the island could create uncertainty among visitors, reduce traveler confidence, and negatively affect Hawaiʻi's reputation as a reliable destination.

For these reasons, any significant changes to hosted B&B regulations should include clear guidance and sufficient lead time to allow operators to responsibly fulfill existing commitments and exit the market without undue financial harm or disruption to visitors.

Because of the confusion and the moving portal deadlines, I felt forced to pre-emptively unlist my property to ensure I didn't face sudden compliance fines. By doing this to try and be a law-abiding citizen, I lost significant booking revenue, only to find out later that the county pushed the registration deadline back yet again to September 2026.

The county must establish a firm, permanent grandfathering clause for all pre-existing bookings and stop moving the goalposts on local hosts who are just trying to comply.

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I respectfully request the Legislature to:

• Establish separate regulatory and tax treatment for hosted B&Bs, distinct from hotels and unhosted vacation rentals.

• Reduce the short-term rental definition from 180 days to 30 days.

• Reduce or eliminate Transient Accommodations Tax requirements for small hosted B&Bs, particularly if the short-term rental definition remains up to 180 days.

• Maintain the HOMEOWNER property tax classification for owner-occupied hosted B&Bs.

• Avoid new or duplicative registration requirements for already compliant operators.

• Allow normal residential kitchen amenities in hosted B&B units if the short-term rental definition remains up to 180 days.

• Permit reasonable off-street parking consistent with local site conditions.

• Provide an orderly and safe transition period for hosted B&B operators in the event of significant regulatory changes, including protection of existing reservations and relief from retroactive penalties, back taxes, and punitive enforcement for operators who comply within a reasonable timeframe.

Hosted Bed & Breakfasts should be encouraged rather than regulated as if they were hotels.

Mahalo for your consideration.

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Homeowner and Hosted B&B Operator