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# A BILL FOR AN ACT

RELATING TO ECONOMIC DEVELOPMENT.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1       SECTION 1. The legislature finds that Hawaii is  
2       experiencing a climate emergency. The effects of climate  
3       change, such as rising temperatures, prolonged droughts, and  
4       increasingly destructive and deadly weather events, are felt  
5       across the island chain. These impacts threaten not only our  
6       vibrant ecosystems but also the people of Hawaii and the State's  
7       economic sustainability. To ensure the health and safety of  
8       Hawaii's lands, waters, and people, as well as its economic  
9       viability, successful mitigation of and adaptation to climate  
10      change are imperative.

11       The legislature further finds that economic development  
12      cannot be separated from environmental stewardship. Hawaii's  
13      economy is deeply reliant on its natural resources, from tourism  
14      and agriculture to marine industries and renewable energy.  
15      Degradation of these resources due to climate change and  
16      environmental mismanagement will result in significant financial  
17      losses across multiple sectors. By investing in sustainability,



1 the State secures long-term economic stability while preserving  
2 its unique landscapes and biodiversity.

3 The legislature also finds that climate resilience must be  
4 integrated into all economic planning efforts. Resiliency  
5 measures, such as sustainable land use practices, shoreline  
6 protection, and forestry projects, ensure that Hawaii's economy  
7 remains robust in the face of climate-related disasters.  
8 Without proactive investment, businesses and communities will  
9 continue to suffer financial losses due to increased flooding,  
10 wildfires, and extreme weather events.

11 The legislature additionally finds that investing in  
12 Hawaii's environment is, in itself, economic development.  
13 Furthermore, the legislature finds that as contemplated, the  
14 transient accommodations tax is intended to be applied fully and  
15 equitably whenever a transient accommodation is furnished within  
16 the State. Whereas hotel and lodging establishments have  
17 complied with and pay their due share of transient  
18 accommodations taxes, tax collections on short-term rental  
19 operators have fallen short. Moreover, there is currently no  
20 transient accommodations tax levied on cruise ships, which in  
21 2024, accounted for 972,820 passenger port calls at port



1 facilities under the jurisdiction of the department of  
2 transportation. Supporting sustainable practices protects the  
3 islands' unique ecosystems while simultaneously fostering  
4 economic growth. This support includes funding renewable energy  
5 projects, enhancing conservation efforts, and promoting  
6 environmental tourism initiatives. These investments preserve  
7 natural resources, reduce carbon footprints, and stimulate  
8 economic opportunities, such as job creation in renewable energy  
9 sectors and eco-friendly tourism.

10 In addition, the legislature finds that Hawaii has an  
11 opportunity to be a global leader in sustainable innovation. By  
12 investing in conservation-focused business models, the State can  
13 attract investors and industries that prioritize sustainability.  
14 These initiatives not only protect the environment but also  
15 diversify the economy, reducing reliance on tourism and  
16 traditional extractive industries.

17 The legislature further finds that Hawaii's cultural  
18 heritage and traditions are deeply connected to its natural  
19 environment. The protection and restoration of forests, coral  
20 reefs, and coastal ecosystems safeguard the foundation of Native  
21 Hawaiian practices and knowledge systems. Investing in



1 environmental conservation ensures that these traditions can  
2 continue to thrive, enriching community well-being and cultural  
3 tourism.

4       The legislature also finds that a failure to act now will  
5 result in increased costs in the future. The economic burden of  
6 climate inaction will far exceed the cost of proactive  
7 investment in mitigation and adaptation strategies.  
8 Infrastructure damage, loss of biodiversity, increased health  
9 issues due to heat and pollution, and disruptions to tourism and  
10 agriculture will place a heavy financial strain on the State if  
11 environmental action is delayed.

12       The legislature additionally finds that a strong commitment  
13 to environmental sustainability enhances Hawaii's reputation as  
14 a world-class destination for ecotourism. Travelers are  
15 increasingly seeking destinations that prioritize  
16 sustainability, and by investing in conservation efforts,  
17 renewable energy, and sustainable tourism practices, Hawaii can  
18 maintain its competitive edge in the global tourism market while  
19 ensuring the long-term viability of its natural resources.

20       The legislature therefore declares that investment in  
21 climate resilience and environmental sustainability is a



1 fundamental component of Hawaii's economic development strategy.  
2 By prioritizing policies and funding mechanisms that support  
3 climate action, conservation, and sustainable industries, Hawaii  
4 can build a more resilient, prosperous, and environmentally  
5 secure future for all residents and visitors.

6 Accordingly, the purpose of this Act is to:

- 7 (1) Increase the transient accommodations tax; and  
8 (2) Assess the transient accommodations tax on cruise ship  
9 cabins based on the total time the cruise ship is  
10 docked at any port in the State,

11 to create a source of revenue for environmental stewardship,  
12 climate and hazard mitigation, and sustainable tourism, to be  
13 implemented through additional funding to the department of land  
14 and natural resources.

15 SECTION 2. Section 237D-1, Hawaii Revised Statutes, is  
16 amended as follows:

17 1. By adding two new definitions to be appropriately  
18 inserted and to read:

19 "Cruise ship" means any ship that docks at any port in the  
20 State that charges a fee for and provides cruise ship cabins to  
21 transient passengers.



1       "Cruise ship cabin" means an accommodation or living  
2       quarter on a cruise ship that is provided to transient  
3       passengers."

4           2. By amending the definition of "lease", "let", or  
5       "rental" to read:

6           ""Lease", "let", or "rental" means the leasing or renting  
7       of living quarters [~~or~~], sleeping or housekeeping  
8       accommodations, or cruise ship cabins in hotels, apartment  
9       hotels, motels, condominiums or units defined in chapter 514B,  
10       cooperative apartments, rooming houses, cruise ships, or other  
11       places in which lodgings are regularly furnished to transients  
12       for a consideration, without transfer of the title of such  
13       property."

14           3. By amending the definition of "transient  
15       accommodations" to read:

16           ""Transient accommodations" means the furnishing of a room,  
17       apartment, suite, single family dwelling, shelter, cruise ship  
18       cabin, or the like to a transient for less than one hundred  
19       eighty consecutive days for each letting in a hotel, apartment  
20       hotel, motel, condominium or unit as defined in chapter 514B,  
21       cooperative apartment, vehicle equipped with or advertised as



1 including sleeping accommodations, dwelling unit, ~~[or]~~ rooming  
2 house, or cruise ship that provides living quarters, sleeping,  
3 or housekeeping accommodations, or other place in which lodgings  
4 are regularly furnished to transients."

5 SECTION 3. Section 237D-2, Hawaii Revised Statutes, is  
6 amended to read as follows:

7 "**§237D-2 Imposition and rates.** (a) There is levied and  
8 shall be assessed and collected each month a tax of:

9 (1) Five per cent for the period beginning on January 1,  
10 1987, to June 30, 1994;

11 (2) Six per cent for the period beginning on July 1, 1994,  
12 to December 31, 1998;

13 (3) 7.25 per cent for the period beginning on January 1,  
14 1999, to June 30, 2009;

15 (4) 8.25 per cent for the period beginning on July 1,  
16 2009, to June 30, 2010; ~~[and]~~

17 (5) 9.25 per cent for the period beginning on July 1,  
18 2010~~[, and thereafter,]~~ to December 31, 2026; and

19 (6) per cent for the period beginning on January 1,  
20 2027, and thereafter,



1 on the gross rental or gross rental proceeds derived from  
2 furnishing transient accommodations[~~+~~]; provided that an  
3 operator of a cruise ship shall be assessed and pay a tax  
4 of        per cent under this subsection on all gross rental  
5 proceeds derived from the furnishing of a cruise ship cabin for  
6 the duration of the cruise lease, prorated by the percentage of  
7 total time docked at any port in the State.

8        (b) Every transient accommodations broker, travel agency,  
9 and tour packager who arranges transient accommodations at  
10 noncommissioned negotiated contract rates and every operator or  
11 other taxpayer who receives gross rental proceeds shall pay to  
12 the State the tax imposed by subsection (a), as provided in this  
13 chapter.

14        (c) There is levied and shall be assessed and collected  
15 each month, on the occupant of a resort time share vacation  
16 unit, a transient accommodations tax of:

- 17        (1) 7.25 per cent on the fair market rental value until  
18                December 31, 2015;
- 19        (2) 8.25 per cent on the fair market rental value for the  
20                period beginning on January 1, 2016, to December 31,  
21                2016; [and]





1           (3) 9.25 per cent on the fair market rental value for the  
2           period beginning on January 1, 2017, ~~[and thereafter.]~~  
3           to December 31, 2026; and

4           (4)       per cent on the fair market rental value for the  
5           period beginning on January 1, 2027, and thereafter.

6           (d) Every plan manager shall be liable for and pay to the  
7           State the transient accommodations tax imposed by subsection (c)  
8           as provided in this chapter. Every resort time share vacation  
9           plan shall be represented by a plan manager who shall be subject  
10          to this chapter.

11          (e) Notwithstanding the tax rates established in  
12          subsections ~~[(a)(5)]~~ (a)(6) and ~~[(e)(3),]~~ (c)(4), the tax rates  
13          levied, assessed, and collected pursuant to subsections (a) and  
14          (c) shall be ~~[10.25]~~        per cent for the period beginning on  
15          January 1, 2018, to December 31, 2030; provided that:

16          (1) ~~[The]~~       per cent of the tax revenues levied,  
17          assessed, and collected pursuant to this ~~[subsection~~  
18          ~~that are in excess of the revenues realized from the~~  
19          ~~levy, assessment, and collection of tax at the 9.25~~  
20          ~~per cent rate]~~ section shall be deposited quarterly



1           into the mass transit special fund established under  
2           section 248-2.7; and  
3       (2) If a court of competent jurisdiction determines that  
4           the amount of county surcharge on state tax revenues  
5           deducted and withheld by the State, pursuant to  
6           section 248-2.6, violates statutory or constitutional  
7           law and, as a result, awards moneys to a county with a  
8           population greater than five hundred thousand, then an  
9           amount equal to the monetary award shall be deducted  
10          and withheld from the tax revenues deposited under  
11          paragraph (1) into the mass transit special fund, and  
12          those funds shall be a general fund realization of the  
13          State.

14          The remaining tax revenues levied, assessed, and collected  
15       ~~[at the 9.25 per cent tax rate pursuant to subsections (a) and~~  
16       ~~(e)]~~ shall be deposited into the general fund in accordance with  
17       section 237D-6.5(b)."

18          SECTION 4. There is appropriated out of the general  
19       revenues of the State of Hawaii the sum of \$                or so  
20       much thereof as may be necessary for fiscal year 2025-2026 and



1 the same sum or so much thereof as may be necessary for fiscal  
2 year 2026-2027:

3 (1) To protect, manage, and restore the State's natural  
4 resources, including native forests; native plants and  
5 animals; aquatic resources; coastal lands; and  
6 freshwater resources; and

7 (2) For environmental stewardship, climate and hazard  
8 mitigation, and sustainable tourism.

9 The sums appropriated shall be expended by the department  
10 of land and natural resources for the purposes of this Act.

11 SECTION 5. Statutory material to be repealed is bracketed  
12 and stricken. New statutory material is underscored.

13 SECTION 6. This Act shall take effect on July 1, 3000.



**Report Title:**

Transient Accommodations Tax; Increase; DLNR; Natural Resources;  
Climate Change Mitigation; Cruise Ships; Cabins; Appropriation

**Description:**

Amends the Transient Accommodations Tax rate beginning on 1/1/2027. Assesses the Transient Accommodations Tax on cruise ship cabins based on the total time the cruise ship is docked at any port in the State. Appropriates funds to DLNR for protection, management, and restoration of the State's natural resources as well as for environmental stewardship, climate and hazard mitigation, and sustainable tourism. Effective 7/1/3000. (HD2)

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

