

Honolulu, Hawaii

APR 25 2025

RE: S.B. No. 1396
S.D. 3
H.D. 3
C.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Third State Legislature
Regular Session of 2025
State of Hawaii

Honorable Nadine K. Nakamura
Speaker, House of Representatives
Thirty-Third State Legislature
Regular Session of 2025
State of Hawaii

Sir and Madam:

Your Committee on Conference on the disagreeing vote of the Senate to the amendments proposed by the House of Representatives in S.B. No. 1396, S.D. 3, H.D. 3, entitled:

"A BILL FOR AN ACT RELATING TO ECONOMIC DEVELOPMENT,"

having met, and after full and free discussion, has agreed to recommend and does recommend to the respective Houses the final passage of this bill in an amended form.

The purpose of this measure is to:

- (1) Amend the Transient Accommodations Tax rate beginning on January 1, 2027;
- (2) Amend the allowable uses of the Special Land and Development Fund and the portion of Transient Accommodations Tax collections that are allocated to the Special Land and Development Fund;



- (3) Assess the Transient Accommodations Tax on cruise ship cabins based on the total time the cruise ship is docked at any port in the State; and
- (4) Appropriate funds to the Department of Land and Natural Resources for protection, management, and restoration of the State's natural resources as well as for environmental stewardship, climate and hazard mitigation, and sustainable tourism.

Your Committee on Conference finds that as an island chain, the State is particularly vulnerable to the effects of climate change. Your Committee on Conference further finds that climate change also threatens the State's resort and tourism areas, which are essential to the State's economy. Your Committee on Conference therefore concludes that the State must invest in mitigation and adaptation to address its climate emergency. Accordingly, this measure will ensure the long-term viability of the State's tourism industry and natural resources by increasing the Transient Accommodations Tax to fund climate change mitigation, adaptation, and resiliency initiatives.

Your Committee on Conference has amended this measure by:

- (1) Effective July 1, 2025, requiring the Governor to request in the executive budget or supplemental budget that an amount of general funds that approximates the additional Transient Accommodations Tax revenue generated by this measure be expended to advance certain climate change mitigation and tourism projects;
- (2) Inserting language to define "cruise fare" as the total amount paid by a transient for a cruise ship cabin on a cruise ship, inclusive of any mandatory fees imposed by a cruise ship operator, owner, or representative thereof on a transient for the use of shipboard services, facilities, meals, and onboard entertainment, but not including optional charges for shipboard services, meals, excursions, and onboard entertainment beyond the mandatory fee amount;
- (3) Deleting language that would have amended the definition of "lease", "let", or "rental" to include the leasing or renting of cruise ship cabins in cruise ships;



- (4) Deleting language that would have amended the definition of "transient accommodations" to include the furnishing of cruise ship cabins in cruise ships;
- (5) Inserting language that amends the definition of "gross rental" or "gross rental proceeds" to include the gross receipts derived from cruise fares;
- (6) Sunsetting the existing 9.25 percent tax rate levied on the gross rental or gross rental proceeds derived from furnishing transient accommodations on December 31, 2025, rather than December 31, 2026;
- (7) Inserting ten percent as the new tax rate levied on the gross rental or gross rental proceeds derived from furnishing transient accommodations beginning on January 1, 2026;
- (8) Inserting eleven percent as the tax rate assessed on the operator of a cruise ship on gross rental proceeds derived from cruise fares;
- (9) Clarifying that the operator of a cruise ship shall be assessed and pay a tax on all gross rental proceeds derived from cruise fares prorated by the percentage of days docked at any port in the State in comparison to the total number of days of the voyage, rather than a tax on all gross rental proceeds derived from the furnishing of a cruise ship cabin for the duration of the cruise lease, prorated by the percentage of total time docked at any port in the State;
- (10) Sunsetting the existing 9.25 percent tax rate levied on the occupant of a resort time share vacation unit on December 31, 2025, rather than December 31, 2026;
- (11) Inserting ten percent as the new tax rate levied on the occupant of a resort time share vacation unit beginning on January 1, 2026;
- (12) Inserting eleven percent as the new non-specified Transient Accommodations Tax rate for the period beginning on January 1, 2018, to December 31, 2030;
- (13) Specifying that 0.98 percent of the tax revenues levied, assessed, and collected pursuant to section 237D-2, Hawaii



Revised Statutes, shall be deposited quarterly into the Mass Transit Special Fund;

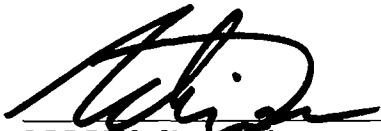
- (14) Clarifying that the remaining tax revenues levied, assessed, and collected at the ten percent tax rate pursuant to subsections 237D-2 (a) and (c), Hawaii Revised Statutes, shall be deposited into the general fund;
- (15) Deleting language that would have appropriated funds to the Department of Land and Natural Resources for the preservation of natural resources, environmental stewardship, climate and hazard mitigation, and sustainable tourism;
- (16) Amending section 1 to reflect its amended purpose;
- (17) Changing its effective date to January 1, 2026; and
- (18) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the managers of your Committee on Conference that is attached to this report, your Committee on Conference is in accord with the intent and purpose of S.B. No. 1396, S.D. 3, H.D. 3, as amended herein, and recommends that it pass Final Reading in the form attached hereto as S.B. No. 1396, S.D. 3, H.D. 3, C.D. 1.

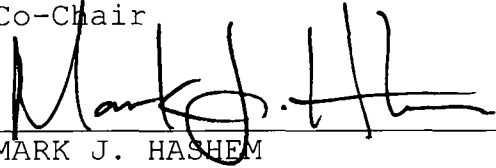


Respectfully submitted on behalf
of the managers:

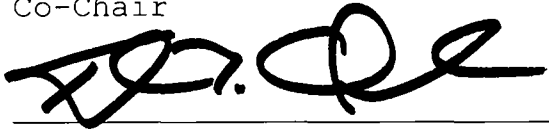
ON THE PART OF THE HOUSE



ADRIAN K. IAM
Co-Chair

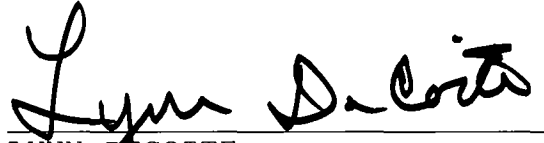


MARK J. HASHEM
Co-Chair



KYLE T. YAMASHITA
Co-Chair

ON THE PART OF THE SENATE



LYNN DECOITE
Chair



MIKE GABBARD
Co-Chair



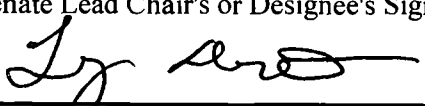
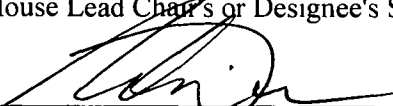
DONNA MERCADO KIM
Co-Chair



Hawai'i State Legislature

Record of Votes of a
Conference Committee

CLR 200

Bill / Concurrent Resolution No.: SB 1396, SD 3, HD 3					Date/Time: 04/25/25 5:15PM				
<input checked="" type="checkbox"/> The recommendation of the House and Senate managers is to pass with amendments (CD).									
<input type="checkbox"/> The Committee is reconsidering its previous decision.									
<input type="checkbox"/> The recommendation of the Senate Manager(s) is to AGREE to the House amendments made to the Senate Measure					<input type="checkbox"/> The recommendation of the House Manager(s) is to AGREE to the Senate amendments made to the House Measure.				
Senate Managers	A	WR	N	E	House Managers	A	WR	N	E
DECOITE, Lynn, Chr.	✓				LOWEN, Nicole E., Co-Chr.	✓			
GABBARD, Mike, Co-Chr.	✓				TAM, Adrian K., Co-Chr.	✓			
KIM, Donna Mercado, Co-Chr.	✓				HASHEM, Mark J., Co-Chr.	✓			
FEVELLA, Kurt				✓	YAMASHITA, Kyle T., Co-Chr.	✓			
					ICHIYAMA, Linda	✓			
					MATSUMOTO, Lauren	✓			
TOTAL	3			1	TOTAL	5			
A = Aye		WR = Aye with Reservations			N = Nay		E = Excused		
Senate Recommendation is:					House Recommendation is:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted					<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Senate Lead Chair's or Designee's Signature:					House Lead Chair's or Designee's Signature:				
									
Distribution:									
Original		Yellow		Pink		Goldenrod			
File with Conference Committee Report		House Clerk's Office		Senate Clerk's Office		Drafting Agency			