

1 underinvestment in the State's natural resources poses a
2 significant liability to the visitor industry and to Hawaii's
3 residents; the stability of the State's natural systems,
4 including food systems and water quality; and the ecosystems,
5 services, fisheries, economic resilience, and health and safety
6 of the State. The escalating impacts from climate change and
7 visitor use create an increasing threat to Hawaii's island
8 ecosystem and communities. Additional funding is needed to
9 restore the State's natural resources to help prevent climate
10 crises from occurring, including wildfires, floods, coastal
11 erosion, and degradation of coral reefs. Additional funds are
12 also needed to respond to climate crises when they occur.

13 The legislature further finds that as contemplated, the
14 transient accommodations tax is intended to be applied fully and
15 equitably wherever a transient accommodation occurs within the
16 State. While the State's lodging and hotel establishments have
17 been complying with, and paying their share of the transient
18 accommodations taxes, tax collections on short-term rental
19 operators have fallen short. Additionally, there is no existing
20 transient accommodations tax levied on commercial passenger
21 vessels, which in 2024, accounted for 972,820 passenger port



1 calls at port facilities under the jurisdiction of the
2 department of transportation.

3 The legislature believes that a modest increase in the
4 transient accommodations tax can generate greatly needed funding
5 to support the restoration of the State's valuable natural
6 resources, help prevent and respond to the climate crisis, and
7 leave a strengthened environmental legacy for future
8 generations. The increased tax is a reasonable and appropriate
9 way to generate these needed revenues.

10 Accordingly, the purpose of this part is to increase the
11 transient accommodations tax to create a source of revenue for
12 environmental stewardship, to be implemented through additional
13 funding to the department of land and natural resources.

14 SECTION 2. Section 237D-1, Hawaii Revised Statutes, is
15 amended by amending the definition of "transient accommodations"
16 to read as follows:

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



1 cooperative apartment, vehicle equipped with or advertised as
2 including sleeping accommodations, dwelling unit, or rooming
3 house that provides living quarters, sleeping, or housekeeping
4 accommodations, commercial passenger vessel, or other place in
5 which lodgings are regularly furnished to transients."

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

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

- 10 (1) Five per cent for the period beginning on January 1,
11 1987, to June 30, 1994;
- 12 (2) Six per cent for the period beginning on July 1, 1994,
13 to December 31, 1998;
- 14 (3) 7.25 per cent for the period beginning on January 1,
15 1999, to June 30, 2009;
- 16 (4) 8.25 per cent for the period beginning on July 1,
17 2009, to June 30, 2010; [and]
- 18 (5) 9.25 per cent for the period beginning on July 1,
19 2010 [~~, and thereafter~~] to December 31, 2026; and
- 20 (6) per cent for the period beginning on January 1,
21 2027, and thereafter,



1 on the gross rental or gross rental proceeds derived from
2 furnishing transient accommodations.

3 (b) Every transient accommodations broker, travel agency,
4 and tour packager who arranges transient accommodations at
5 noncommissioned negotiated contract rates and every operator or
6 other taxpayer who receives gross rental proceeds shall pay to
7 the State the tax imposed by ~~[subsection]~~ subsections (a) ~~[7]~~ and
8 (f), as provided in this chapter.

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

12 (1) 7.25 per cent on the fair market rental value until
13 December 31, 2015;

14 (2) 8.25 per cent on the fair market rental value for the
15 period beginning on January 1, 2016, to December 31,
16 2016; ~~[and]~~

17 (3) 9.25 per cent on the fair market rental value for the
18 period beginning on January 1, 2017 ~~[7 and thereafter.]~~
19 to December 31, 2026; and

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



1 (d) Every plan manager shall be liable for and pay to the
2 State the transient accommodations tax imposed by subsection (c)
3 as provided in this chapter. Every resort time share vacation
4 plan shall be represented by a plan manager who shall be subject
5 to this chapter.

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

11 (1) [~~The~~] _____ per cent of the tax revenues levied,
12 assessed, and collected pursuant to this [~~subsection~~
13 ~~that are in excess of the revenues realized from the~~
14 ~~levy, assessment, and collection of tax at the 9.25~~
15 ~~per cent rate] section shall be deposited quarterly
16 into the mass transit special fund established under
17 section 248-2.7; and~~

18 (2) If a court of competent jurisdiction determines that
19 the amount of county surcharge on state tax revenues
20 deducted and withheld by the State, pursuant to
21 section 248-2.6, violates statutory or constitutional



1 law and, as a result, awards moneys to a county with a
2 population greater than five hundred thousand, then an
3 amount equal to the monetary award shall be deducted
4 and withheld from the tax revenues deposited under
5 paragraph (1) into the mass transit special fund, and
6 those funds shall be a general fund realization of the
7 State.

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

12 (f) Beginning on January 1, 2027, there is levied and
13 shall be assessed and collected each month a tax of \$20 per
14 passenger per port entry on any commercial passenger vessel at
15 any port facility under the jurisdiction of the department of
16 transportation. Per passenger taxes under this section are
17 charged on a per voyage or per itinerary basis and will not be
18 charged more than once per port entry if a vessel uses a state
19 commercial harbor property or facility more than once on a
20 single voyage or itinerary. Transient accommodations taxed



1 under this subsection are not subject to levy, assessment, and
2 collection pursuant to subsection (a)."

3 PART II

4 SECTION 4. (a) There is established a transient
5 accommodations tax enforcement working group within the
6 department of taxation for administrative purposes.

7 (b) The working group shall assess and make
8 recommendations on the best practices to enforce the transient
9 accommodations tax, including a mechanism to ensure collection
10 from all transient accommodations subject to the tax.

11 (c) The working group shall consist of the following
12 members:

13 (1) The director of taxation, or the director's designee,
14 who shall serve as chair of the working group;

15 (2) One representative from each county department
16 responsible for transient accommodation tax
17 collection;

18 (3) A representative from the hotel and lodging industry,
19 to be invited by the chair of the working group;

20 (4) A timeshare operator, to be invited by the chair of
21 the working group;



- 1 (5) A representative from a short-term rental
- 2 organization, to be invited by the chair of the
- 3 working group; and
- 4 (6) Other relevant individuals, to be invited by the chair
- 5 of the working group.
- 6 (d) The working group shall submit a report of its
- 7 findings and recommendations, including any proposed
- 8 legislation, to the legislature no later than twenty days prior
- 9 to the convening of the regular session of 2026.

10 PART III

11 SECTION 5. The legislature finds that pasture leases are

12 managed by ranchers to contribute to food security, economic

13 resilience, soil health, and other ecosystem services. This

14 beneficial land use should be supported for continued

15 agricultural land stewardship under the management of the

16 department of agriculture.

17 The purpose of this part is to require the department of

18 land and natural resources to transfer agricultural leases under

19 its jurisdiction to the department of agriculture.

20 SECTION 6. Agricultural leases under the jurisdiction of

21 the department of land and natural resources shall be



1 transferred to the department of agriculture for the continued
2 use of agriculture and land stewardship.

3 PART IV

4 SECTION 7. The department of land and natural resources
5 shall submit a report to the legislature no later than twenty
6 days prior to the convening of the regular sessions of 2026 and
7 2027 on each project funded through section 8 of this Act. The
8 report shall contain the following information:

- 9 (1) Progress and outcomes of each project;
- 10 (2) The total project cost;
- 11 (3) Benefits to visitors; and
- 12 (4) How the project protected, restored, or enhanced
13 Hawaii's natural resources and its unique and
14 vulnerable ecosystem during the previous fiscal year.

15 SECTION 8. There is appropriated out of the general
16 revenues of the State of Hawaii the sum of \$ or so
17 much thereof as may be necessary for fiscal year 2025-2026 and
18 the same sum or so much thereof as may be necessary for fiscal
19 year 2026-2027 for projects that:

- 20 (1) Protect, restore, or enhance the State's natural
21 resources, including native forests, native plants and



1 animals, aquatic resources, coastal lands, and
2 freshwater resources, and promote economic development
3 relating to the tourism industry;

4 (2) Address climate change impacts, including projects
5 that mitigate, adapt to, or increase resiliency
6 against climate change; these projects may include
7 vegetation management to reduce wildfire risk, coastal
8 environmental management and restoration, or watershed
9 restoration to reduce flooding and enhance water
10 management;

11 (3) Promote sustainable tourism models and destination
12 management to reduce visitor impacts on the natural
13 environment; or

14 (4) Ensure that the State's natural resources are
15 maintained for future visitors;

16 provided that the department of land and natural resources may
17 utilize these funds for consultants, personnel, contracts, and
18 administrative costs required to develop and implement these
19 projects; provided further that the department of land and
20 natural resources shall consult with the Hawaii tourism
21 authority and the respective county on tourism-related projects.



1 The sums appropriated shall be expended by the department
2 of land and natural resources for the purposes of this part.

3 PART V

4 SECTION 9. (a) There is appropriated out of the general
5 revenues of the State of Hawaii the sum of \$ or so
6 much thereof as may be necessary for fiscal year 2025-2026 and
7 the sum of \$ or so much thereof as may be necessary
8 for fiscal year 2026-2027 for the operating budget of the Hawaii
9 tourism authority; provided that no sums appropriated shall be
10 expended unless the Hawaii tourism authority enters a formal
11 agreement with vendors and contractors of the Hawaii tourism
12 authority and representatives of the visitor industry outlining
13 clear commitments toward the purchasing of local products by the
14 visitor industry, as follows:

15 (1) By January 1, 2030, local products shall constitute a
16 minimum of thirty per cent of total products purchased
17 by the visitor industry during each calendar year, as
18 measured by the per cent of total product cost; and

19 (2) By January 1, 2050, local products shall constitute a
20 minimum of fifty per cent of total products purchased



1 by the visitor industry during each calendar year, as
2 measured by the per cent of total product cost.

3 (b) Provided that of the sum appropriated for fiscal year
4 2025-2026, the following amounts shall be allocated accordingly:

5 (1) \$ for personnel services, including the
6 establishment of two full-time equivalent (2.0 FTE)
7 positions for BED113;

8 (2) \$ for personnel services, including the
9 establishment of one full-time equivalent (1.0 FTE)
10 position, and brand and marketing expenses for BED114;

11 (3) \$ for personnel expenses for BED115;

12 (4) \$ for personnel services, including the
13 establishment of two full-time equivalent (2.0 FTE)
14 positions, and destination stewardship and community
15 expenses for BED116; and

16 (5) \$ for personnel services BED117.

17 (c) Provided that of the sum appropriated for fiscal year
18 2026-2027, the following amounts shall be allocated accordingly:

19 (1) \$ for personnel services, including the
20 establishment of six full-time equivalent (6.0 FTE)
21 positions for BED113;



Report Title:

DLNR; DOA; HTA; Department of Budget and Finance; Department of Transportation; Transient Accommodations Tax; Minimum Tax; Increase; Natural Resources; Working Group; Fees; Reports; Appropriations

Description:

Amends the transient accommodations tax rate beginning on 1/1/2027. Beginning 1/1/2027, requires collection of a monthly tax of \$20 per passenger per port entry or any commercial passenger vessel at any port facility under the jurisdiction of the department of taxation. Establishes a Transient Accommodation Tax Enforcement Working Group. Requires the transfer of all agricultural leases under the jurisdiction of the Department of Land and Natural Resources to the Department of Agriculture. Appropriates funds to the Department of Land and Natural Resources for certain environmental stewardship projects. Appropriates funds to the Hawaii Tourism Authority for its operating budget request. Requires reports to the Legislature. Effective 7/1/3000. (SD2)

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