

Honolulu, Hawaii

MAR 21 2025

RE: H.B. No. 504
H.D. 2
S.D. 1

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

Sir:

Your Committees on Economic Development and Tourism and Water and Land, to which was referred H.B. No. 504, H.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO ENVIRONMENTAL STEWARDSHIP,"

beg leave to report as follows:

The purpose and intent of this measure is to:

- (1) Amend the transient accommodations tax rate beginning on January 1, 2027;
- (2) Beginning January 1, 2027, require a \$20 transient accommodation tax to be levied per night for each furnishing of transient accommodations in exchange for points, miles, or other amounts provided through a membership, loyalty, or rewards program;
- (3) Appropriate funds to the Department of Land and Natural Resources for certain environmental stewardship projects; and
- (4) Establish the Reimbursable General Obligation Bond Debt Service Special Fund.

Your Committees received testimony in support of this measure from the Office of the Governor; Department of Business, Economic



Development, and Tourism; Department of Land and Natural Resources; Hawaii Green Infrastructure Authority; Hawai'i Climate Change Mitigation and Adaptation Commission; Hawai'i Ocean Legislative Task Force; Hawai'i Reef Ocean Coalition; Hawai'i Climate Advisory Team; Resources Legacy Fund; Care for 'Āina Now Coalition; The Nature Conservancy, Hawai'i and Palmyra; Hawaii Cattlemen's Council, Inc.; Kauai Climate Action Coalition; Council for Native Hawaiian Advancement; Hawai'i Alliance of Nonprofit Organizations; Malama Learning Center; Coalition Earth; Kua'āina Ulu 'Auamo; Kuleana Coral Restoration; and twenty-seven individuals.

Your Committees received testimony in opposition to this measure from the American Resort Development Association-Hawaii; Hawaii Lodging and Tourism Association; Maui Hotel and Lodging Association; Kohala Coast Resort Association; The Westin Maui Resort and Spa; Maui Vacation Rental Association; O'ahu Short-Term Rental Alliance; Hawai'i Mid and Short-Term Rental Alliance; Grassroot Institute of Hawaii; Maui Chamber of Commerce; Ribbon Rock Maui; Honu Hawai'i Home LLC; EGF LLC; Ali'i Resorts, LLC; Napili Kai Beach Resort; and numerous individuals.

Your Committees received comments on this measure from the Department of Taxation, Department of Budget and Finance, Hawai'i Tourism Authority, Hawaii Community Development Authority, Department of the Attorney General, Tax Foundation of Hawaii, Expedia Group, Council on State Taxation, American Hotel and Lodging Association, Hawai'i Hotel Alliance, Marriott International, and one individual.

Your Committees find that the State's natural resources and ecosystems are experiencing significant environmental stress due to climate change and overuse from the State's large tourism industry. As the Hawaii State Constitution mandates that the State's natural and cultural resources be protected and maintained for future generations, it is imperative to institute preventative and mitigative legislation to respond to this environmental crisis. Your Committees further find that additional funding is necessary to close the gap between existing and needed funding for the management of the State's natural resources. By establishing innovative financing mechanisms, this measure will bolster existing investments in natural resource management, protect



public trust resources, and address insufficient conservation funding.

Your Committees note the concerns raised in the testimony of the Office of the Governor that, to ensure that the additional transient accommodation tax revenues are made solely available for environmental stewardship, climate and hazard mitigation, and sustainable tourism, the revenues must be deposited into a special fund that allows the moneys therein to be used for these purposes. Your Committees also note the concerns raised by the Office of the Governor and other testimony that the Reimbursable General Obligation Bond Debt Service Special Fund, proposed in Part II of this measure, will not satisfy this requirement, as there is no nexus between the special fund and environmental stewardship, and the moneys in the fund cannot be expended for the purposes above. Therefore, there is a need to amend this measure to address this issue.

Accordingly, your Committees have amended this measure by:

- (1) Inserting language to amend the definition of "transient accommodations" to include the furnishing of cabins, staterooms, and commercial passenger vessels;
- (2) Deleting language that would have imposed a tax of \$20 per night for transient accommodations furnished using points, miles, or other amounts provided through a membership, loyalty, or rewards program;
- (3) Inserting language that requires, beginning on January 1, 2027, collection of a monthly tax of \$20 per passenger per port entry on any commercial passenger vessel at any port facility under the jurisdiction of the Department of Transportation;
- (4) Replacing language in part II that would have established the Reimbursable General Obligation Bond Debt Service Special Fund with language that establishes a Transient Accommodations Tax Enforcement Working Group to assess and make recommendations on the best practices to enforce the transient accommodations tax, including a mechanism to ensure collection from all transient accommodations subject to the tax;



- (5) Inserting as part III, language that requires the transfer of all agricultural leases under the jurisdiction of the Department of Land and Natural Resources to the Department of Agriculture for the continued use of agriculture and land stewardship;
- (6) Amending section 1 to reflect the amended purpose of part I; and
- (7) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

Your Committees note that this measure, as amended, does not designate a special fund into which the additional transient accommodation tax revenues shall be deposited. Your Committees find that this matter merits further consideration and respectfully request that subsequent Committees to which this measure is referred further examine the issue.

Your Committees further note the discussion held during the hearing on this measure regarding the proper legislative vehicle to increase the Transient Accommodation Tax to provide funding for environmental protection and climate change mitigation. Your Committees respectfully request that subsequent Committees to which this measure is referred consider S.B. No. 1396, S.D. 3 (2025), as a vehicle to accomplish these funding objectives.

As affirmed by the records of votes of the members of your Committees on Economic Development and Tourism and Water and Land that are attached to this report, your Committees are in accord with the intent and purpose of H.B. No. 504, H.D. 2, as amended herein, and recommend that it pass Second Reading in the form attached hereto as H.B. No. 504, H.D. 2, S.D. 1, and be referred to your Committee on Ways and Means.



Respectfully submitted on
behalf of the members of the
Committees on Economic
Development and Tourism and
Water and Land,


LORRAINE R. INOUE, Chair


LYNN DECOITE, Chair

