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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 rate for  
8 transient accommodations and resort time shares;
- 9 (2) Assess the transient accommodations tax on the gross  
10 receipts derived from cruise fares;
- 11 (3) Require the governor to request in the executive  
12 budget or supplemental budget that an amount of  
13 general funds that approximates the additional  
14 transient accommodations tax revenue generated by this  
15 Act be expended equally to advance certain climate  
16 change mitigation and tourism projects; and
- 17 (4) Amend the allowable uses of the special land and  
18 development fund and the portion of transient  
19 accommodations tax collections that are allocated to  
20 the special land and development fund.



1 SECTION 2. Chapter 37, Hawaii Revised Statutes, is amended  
2 by adding a new section to part IV to be appropriately  
3 designated and to read as follows:

4 "§37- Climate change and tourism destination management;  
5 projects; budget request. The governor shall request, in the  
6 budget or the supplemental budget submitted to the legislature  
7 pursuant to section 37-71 or 37-72, that an amount of general  
8 funds that approximates the additional revenue generated by any  
9 increase to the transient accommodations tax rates pursuant to  
10 section 237D-2(a)(6) and (c)(4) beginning on January 1, 2026,  
11 and section 237D-2(e) beginning on July 1, 2026, and by  
12 assessment of the transient accommodations tax on gross rental  
13 proceeds derived from cruise fares pursuant to section 237D-2(a)  
14 be expended equally to advance specific projects to:

15 (1) Protect, manage, and restore the State's natural  
16 resources, including native forests, native plants and  
17 animals, aquatic resources, coastal lands, and  
18 freshwater resources;

19 (2) Increase the resilience of structures and  
20 infrastructure to natural and climate-related  
21 disasters, such as hurricanes and sea level rise, and



1           perform hazard mitigation activities, such as wildfire  
 2           and flood mitigation; and  
 3           (3) Improve the visitor experience, mitigate the impacts  
 4           of tourism on the natural environment, ensure that the  
 5           State's natural resources are maintained for future  
 6           residents and visitors, and support destination  
 7           management, such as park improvements and beach  
 8           improvement, nourishment, and maintenance projects."

9           SECTION 3. Section 171-19, Hawaii Revised Statutes, is  
 10 amended by amending subsection (a) to read as follows:

11           "(a) There is created in the department a special fund to  
 12 be designated as the "special land and development fund".  
 13 Subject to the Hawaiian Homes Commission Act of 1920, as  
 14 amended, and section 5(f) of the Admission Act of 1959, all  
 15 proceeds of sale of public lands, including interest on deferred  
 16 payments; all moneys collected under section 171-58 for mineral  
 17 and water rights; all rents from leases, licenses, and permits  
 18 derived from public lands; all moneys collected from lessees of  
 19 public lands within industrial parks; all fees, fines, and other  
 20 administrative charges collected under this chapter and  
 21 chapter 183C; a portion of the highway fuel tax collected under



1 chapter 243; a portion of the transient accommodations tax under  
2 chapter 237D; all moneys collected by the department for the  
3 commercial use of public trails and trail accesses under the  
4 jurisdiction of the department; and private contributions for  
5 the management, maintenance, and development of trails and  
6 accesses shall be set apart in the fund and shall be used only  
7 as authorized by the legislature for the following purposes:

- 8 (1) To reimburse the general fund of the State for  
9 advances made that are required to be reimbursed from  
10 the proceeds derived from sales, leases, licenses, or  
11 permits of public lands;
- 12 (2) For the planning, development, management, operations,  
13 or maintenance of all lands and improvements under the  
14 control and management of the board pursuant to title  
15 12, including but not limited to permanent or  
16 temporary staff positions who may be appointed without  
17 regard to chapter 76;
- 18 (3) To repurchase any land, including improvements, in the  
19 exercise by the board of any right of repurchase  
20 specifically reserved in any patent, deed, lease, or  
21 other documents or as provided by law;





- 1 (4) For the payment of all appraisal fees; provided that  
2 all fees reimbursed to the board shall be deposited in  
3 the fund;
- 4 (5) For the payment of publication notices as required  
5 under this chapter; provided that all or a portion of  
6 the expenditures may be charged to the purchaser or  
7 lessee of public lands or any interest therein under  
8 rules adopted by the board;
- 9 (6) For the management, maintenance, and development of  
10 trails and trail accesses under the jurisdiction of  
11 the department;
- 12 (7) For the payment to private land developers who have  
13 contracted with the board for development of public  
14 lands under section 171-60;
- 15 (8) For the payment of debt service on revenue bonds  
16 issued by the department, including revenue bonds  
17 issued for the purposes of section 237D-6.5(b)(4), and  
18 the establishment of debt service and other reserves  
19 deemed necessary by the board;
- 20 (9) To reimburse the general fund for debt service on  
21 general obligation bonds issued to finance



1 departmental projects, including projects under  
2 section 237D-6.5(b)(4), where the bonds are designated  
3 to be reimbursed from the special land and development  
4 fund;

5 (10) For the protection, planning, management, and  
6 regulation of water resources under chapter 174C;

7 [~~and~~]

8 (11) For the purposes of section 237D-6.5(b)(4); and

9 [~~(11)~~] (12) For other purposes of this chapter."

10 SECTION 4. Section 237D-1, Hawaii Revised Statutes, is  
11 amended as follows:

12 1. By adding three new definitions to be appropriately  
13 inserted and to read:

14 "Cruise fare" means the total amount paid by a transient  
15 for a cruise ship cabin on a cruise ship, inclusive of any  
16 mandatory fees imposed by a cruise ship operator, owner, or  
17 representative thereof on a transient for the use of shipboard  
18 services, facilities, meals, and onboard entertainment, but does  
19 not include optional charges for shipboard services, meals,  
20 excursions, and onboard entertainment beyond the mandatory fee  
21 amount.



1       "Cruise ship" means any ship that docks at any port in the  
2 State that charges a fee for and provides cruise ship cabins to  
3 transients.

4       "Cruise ship cabin" means an accommodation or living  
5 quarter on a cruise ship that is provided to a transient."

6       2. By amending the definition of "gross rental" or "gross  
7 rental proceeds" to read:

8       "Gross rental" or "gross rental proceeds" means the gross  
9 receipts, cash or accrued, of the taxpayer received as  
10 compensation for the furnishing of transient accommodations or  
11 entering into arrangements to furnish transient accommodations  
12 and the value proceeding or accruing from the furnishing of  
13 transient accommodations or entering into arrangements to  
14 furnish transient accommodations, including resort fees without  
15 any deductions on account of the cost of property or services  
16 sold, the cost of materials used, labor cost, taxes, royalties,  
17 interest, discounts, or any other expenses whatsoever. "Gross  
18 rental" or "gross rental proceeds" includes the gross receipts  
19 derived from cruise fares. Every taxpayer shall be presumed to  
20 be dealing on a cash basis unless the taxpayer proves to the  
21 satisfaction of the department of taxation that the taxpayer is



1 dealing on an accrual basis and the taxpayer's books are so  
2 kept, or unless the taxpayer employs or is required to employ  
3 the accrual basis for the purposes of the tax imposed by  
4 chapter 237 for any taxable year in which event the taxpayer  
5 shall report the taxpayer's gross income for the purposes of  
6 this chapter on the accrual basis for the same period.

7       The words "gross rental" or "gross rental proceeds" shall  
8 not be construed to include the amounts of taxes imposed by  
9 chapter 237 or this chapter on operators of transient  
10 accommodations, transient accommodations brokers, travel  
11 agencies, and tour packagers and passed on, collected, and  
12 received from the consumer as part of the receipts received as  
13 compensation for the furnishing of transient accommodations or  
14 entering into arrangements to furnish transient accommodations.

15       Where transient accommodations are furnished through  
16 arrangements made by a transient accommodations broker, travel  
17 agency, or tour packager at noncommissionable negotiated  
18 contract rates and the gross income is divided between the  
19 operator of transient accommodations on the one hand and the  
20 transient accommodations broker, travel agency, or tour packager  
21 on the other hand, the tax imposed by this chapter shall apply



1 to each operator and transient accommodations broker, travel  
2 agency, or tour packager with respect to that person's  
3 respective portion of the proceeds and no more.

4 For purposes of this definition, where the operator  
5 maintains a schedule of rates for identifiable groups of  
6 individuals, such as kamaainas, upon which the accommodations  
7 are leased, let, or rented, gross rental or gross rental  
8 proceeds means the receipts collected and received based upon  
9 the scheduled rates and recorded as receipts in its books and  
10 records."

11 SECTION 5. Section 237D-2, Hawaii Revised Statutes, is  
12 amended as follows:

13 1. By amending subsection (a) to read:

14 "(a) There is levied and shall be assessed and collected  
15 each month a tax of:

16 (1) Five per cent for the period beginning on January 1,  
17 1987, to June 30, 1994;

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

20 (3) 7.25 per cent for the period beginning on January 1,  
21 1999, to June 30, 2009;



1 (4) 8.25 per cent for the period beginning on July 1,  
2 2009, to June 30, 2010; [~~and~~]

3 (5) 9.25 per cent for the period beginning on July 1,  
4 2010 [~~, and thereafter,~~] to December 31, 2025; and

5 (6) Ten per cent for the period beginning on January 1,  
6 2026, and thereafter,

7 on the gross rental or gross rental proceeds derived from  
8 furnishing transient accommodations[~~-~~]; provided that an  
9 operator of a cruise ship shall be assessed and pay a tax of  
10 eleven per cent under this subsection on all gross rental  
11 proceeds derived from cruise fares prorated by the percentage of  
12 days docked at any port in the State in comparison to the total  
13 number of days of the voyage."

14 2. By amending subsection (c) to read:

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

18 (1) 7.25 per cent on the fair market rental value until  
19 December 31, 2015;



- 1 (2) 8.25 per cent on the fair market rental value for the  
2 period beginning on January 1, 2016, to December 31,  
3 2016; ~~[and]~~
- 4 (3) 9.25 per cent on the fair market rental value for the  
5 period beginning on January 1, 2017, ~~[and thereafter.]~~  
6 to December 31, 2025; and
- 7 (4) Ten per cent on the fair market rental value for the  
8 period beginning on January 1, 2026, and thereafter."

9 3. By amending subsection (e) to read:

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

15 (1) ~~[The]~~ 0.98 per cent of the tax revenues levied,  
16 assessed, and collected pursuant to this ~~[subsection~~  
17 ~~that are in excess of the revenues realized from the~~  
18 ~~levy, assessment, and collection of tax at the 9.25~~  
19 ~~per cent rate]~~ section shall be deposited quarterly  
20 into the mass transit special fund established under  
21 section 248-2.7; and



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

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

16          SECTION 6. Section 237D-6.5, Hawaii Revised Statutes, is  
17          amended by amending subsection (b) to read as follows:

18          "(b) Except for the revenues collected pursuant to section  
19          237D-2(e), revenues collected under this chapter shall be  
20          distributed in the following priority, with the excess revenues  
21          to be deposited into the general fund:





- 1           (1) \$1,500,000 shall be allocated to the Turtle Bay  
2           conservation easement special fund beginning July 1,  
3           2015, for the reimbursement to the state general fund  
4           of debt service on reimbursable general obligation  
5           bonds, including ongoing expenses related to the  
6           issuance of the bonds, the proceeds of which were used  
7           to acquire the conservation easement and other real  
8           property interests in Turtle Bay, Oahu, for the  
9           protection, preservation, and enhancement of natural  
10          resources important to the State, until the bonds are  
11          fully amortized;
- 12          (2) \$11,000,000 shall be allocated to the convention  
13          center enterprise special fund established under  
14          section 201B-8;
- 15          (3) An allocation shall be deposited into the tourism  
16          emergency special fund, established in section 201B-  
17          10, in a manner sufficient to maintain a fund balance  
18          of \$5,000,000 in the tourism emergency special fund;  
19          and
- 20          (4) \$3,000,000 shall be allocated to the special land and  
21          development fund established under section 171-19[~~+~~



1 ~~provided that the allocation shall be expended in~~  
2 ~~accordance with the Hawaii tourism authority strategie~~  
3 ~~plan] for:~~

4 (A) The protection, preservation, maintenance, and  
5 enhancement of natural resources, including  
6 beaches [~~important to the visitor industry~~];

7 (B) Planning, construction, and repair of facilities;  
8 [and]

9 (C) Operation [and], maintenance, and improvement  
10 costs of public lands, including beaches[  
11 connected with enhancing the visitor  
12 experience.]; and

13 (D) Any related debt service and financing agreement  
14 costs.

15 All transient accommodations taxes shall be paid into the  
16 state treasury each month within ten days after collection and  
17 shall be kept by the state director of finance in special  
18 accounts for distribution as provided in this subsection."

19 SECTION 7. If any provision of this Act, or the  
20 application thereof to any person or circumstance, is held  
21 invalid, the invalidity does not affect other provisions or



1 applications of the Act that can be given effect without the  
2 invalid provision or application, and to this end the provisions  
3 of this Act are severable.

4 SECTION 8. Statutory material to be repealed is bracketed  
5 and stricken. New statutory material is underscored.

6 SECTION 9. This Act shall take effect on January 1, 2026;  
7 provided that section 2 shall take effect on July 1, 2025.



**Report Title:**

Transient Accommodations Tax; Increase; Natural Resources;  
Climate Change Mitigation; Special Land and Development Fund;  
Cruise Fares; Mass Transit Special Fund

**Description:**

Beginning 7/1/2025, requires 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 Act be expended to advance certain climate change mitigation and tourism projects. Increases the Transient Accommodations Tax rate beginning on 1/1/2026. Assesses the Transient Accommodations Tax on gross rental proceeds derived from cruise fares. Amends the amount of Transient Accommodation Tax that shall be deposited into the Mass Transit Special Fund. Amends 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. Effective 1/1/2026. (CD1)

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

