
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)

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