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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;

8 (2) Amend the allowable uses of the special land and  
9 development fund and the portion of transient  
10 accommodations tax collections that are allocated to  
11 the special land and development fund; and

12 (3) Assess the transient accommodations tax on cruise ship  
13 cabins based on the total time the cruise ship is  
14 docked at any port in the State,

15 to create a source of revenue for environmental stewardship,  
16 climate and hazard mitigation, and sustainable tourism, to be  
17 implemented through additional funding to the department of land  
18 and natural resources.

19 SECTION 2. Section 171-19, Hawaii Revised Statutes, is  
20 amended by amending subsection (a) to read as follows:



1           "(a) There is created in the department a special fund to  
2 be designated as the "special land and development fund".  
3 Subject to the Hawaiian Homes Commission Act of 1920, as  
4 amended, and section 5(f) of the Admission Act of 1959, all  
5 proceeds of sale of public lands, including interest on deferred  
6 payments; all moneys collected under section 171-58 for mineral  
7 and water rights; all rents from leases, licenses, and permits  
8 derived from public lands; all moneys collected from lessees of  
9 public lands within industrial parks; all fees, fines, and other  
10 administrative charges collected under this chapter and chapter  
11 183C; a portion of the highway fuel tax collected under chapter  
12 243; a portion of the transient accommodations tax under chapter  
13 237D; all moneys collected by the department for the commercial  
14 use of public trails and trail accesses under the jurisdiction  
15 of the department; and private contributions for the management,  
16 maintenance, and development of trails and accesses shall be set  
17 apart in the fund and shall be used only as authorized by the  
18 legislature for the following purposes:

19           (1) To reimburse the general fund of the State for  
20           advances made that are required to be reimbursed from



- 1 the proceeds derived from sales, leases, licenses, or  
2 permits of public lands;
- 3 (2) For the planning, development, management, operations,  
4 or maintenance of all lands and improvements under the  
5 control and management of the board pursuant to title  
6 12, including but not limited to permanent or  
7 temporary staff positions who may be appointed without  
8 regard to chapter 76;
- 9 (3) To repurchase any land, including improvements, in the  
10 exercise by the board of any right of repurchase  
11 specifically reserved in any patent, deed, lease, or  
12 other documents or as provided by law;
- 13 (4) For the payment of all appraisal fees; provided that  
14 all fees reimbursed to the board shall be deposited in  
15 the fund;
- 16 (5) For the payment of publication notices as required  
17 under this chapter; provided that all or a portion of  
18 the expenditures may be charged to the purchaser or  
19 lessee of public lands or any interest therein under  
20 rules adopted by the board;



- 1           (6) For the management, maintenance, and development of
- 2                   trails and trail accesses under the jurisdiction of
- 3                   the department;
- 4           (7) For the payment to private land developers who have
- 5                   contracted with the board for development of public
- 6                   lands under section 171-60;
- 7           (8) For the payment of debt service on revenue bonds
- 8                   issued by the department, including revenue bonds
- 9                   issued for the purposes of section 237D-6.5(b) (4), and
- 10                   the establishment of debt service and other reserves
- 11                   deemed necessary by the board;
- 12           (9) To reimburse the general fund for debt service on
- 13                   general obligation bonds issued to finance
- 14                   departmental projects, including projects under
- 15                   section 237D-6.5(b) (4), where the bonds are designated
- 16                   to be reimbursed from the special land and development
- 17                   fund;
- 18           (10) For the protection, planning, management, and
- 19                   regulation of water resources under chapter 174C;
- 20                   [and]
- 21           (11) For the purposes of section 237D-6.5(b) (4); and

1        [~~(11)~~] (12) For other purposes of this chapter."

2            SECTION 3. Section 237D-1, Hawaii Revised Statutes, is  
3 amended as follows:

4            1. By adding two new definitions to be appropriately  
5 inserted and to read:

6            "Cruise ship" means any ship that docks at any port in the  
7 State that charges a fee for and provides cruise ship cabins to  
8 transient passengers.

9            "Cruise ship cabin" means an accommodation or living  
10 quarter on a cruise ship that is provided to transient  
11 passengers."

12            2. By amending the definition of "lease", "let", or  
13 "rental" to read:

14            "Lease", "let", or "rental" means the leasing or renting  
15 of living quarters [øæ], sleeping or housekeeping  
16 accommodations, or cruise ship cabins in hotels, apartment  
17 hotels, motels, condominiums or units defined in chapter 514B,  
18 cooperative apartments, rooming houses, cruise ships, or other  
19 places in which lodgings are regularly furnished to transients  
20 for a consideration, without transfer of the title of such  
21 property."



1           3. By amending the definition of "transient  
2 accommodations" to read:

3           ""Transient accommodations" means the furnishing of a room,  
4 apartment, suite, single family dwelling, shelter, cruise ship  
5 cabin, or the like to a transient for less than one hundred  
6 eighty consecutive days for each letting in a hotel, apartment  
7 hotel, motel, condominium or unit as defined in chapter 514B,  
8 cooperative apartment, vehicle equipped with or advertised as  
9 including sleeping accommodations, dwelling unit, [~~or~~] rooming  
10 house, or cruise ship that provides living quarters, sleeping,  
11 or housekeeping accommodations, or other place in which lodgings  
12 are regularly furnished to transients."

13           SECTION 4. Section 237D-2, Hawaii Revised Statutes, is  
14 amended as follows:

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

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

18           (1) Five per cent for the period beginning on January 1,  
19                 1987, to June 30, 1994;

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



1 (3) 7.25 per cent for the period beginning on January 1,  
2 1999, to June 30, 2009;

3 (4) 8.25 per cent for the period beginning on July 1,  
4 2009, to June 30, 2010; ~~and~~

5 (5) 9.25 per cent for the period beginning on July 1,  
6 2010~~[, and thereafter,]~~ to December 31, 2026; and

7 (6) \_\_\_\_\_ per cent for the period beginning on January 1,  
8 2027, and thereafter,

9 on the gross rental or gross rental proceeds derived from  
10 furnishing transient accommodations~~[-]~~; provided that an  
11 operator of a cruise ship shall be assessed and pay a tax  
12 of \_\_\_\_\_ per cent under this subsection on all gross rental  
13 proceeds derived from the furnishing of a cruise ship cabin for  
14 the duration of the cruise lease, prorated by the percentage of  
15 total time docked at any port in the State."

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

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

20 (1) 7.25 per cent on the fair market rental value until  
21 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, 2026; and

7 (4) \_\_\_\_\_ per cent on the fair market rental value for the  
8 period beginning on January 1, 2027, 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~~] \_\_\_\_\_ per cent for the period beginning on  
14 January 1, 2018, to December 31, 2030; provided that:

15 (1) [~~The~~] \_\_\_\_\_ 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 per cent tax rate pursuant to subsections (a) and~~  
14          ~~(e)]~~ shall be deposited into the general fund in accordance with  
15          section 237D-6.5(b)."

16          SECTION 5. 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 6. There is appropriated out of the general  
20 revenues of the State of Hawaii the sum of \$ or so  
21 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 7. Statutory material to be repealed is bracketed  
12 and stricken. New statutory material is underscored.

13 SECTION 8. This Act shall take effect on July 1, 3000.



**Report Title:**

Transient Accommodations Tax; Increase; DLNR; Natural Resources;  
Climate Change Mitigation; Special Land and Development Fund;  
Cruise Ships; Cabins; Appropriation

**Description:**

Amends the Transient Accommodations Tax rate beginning on 1/1/2027. 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. 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. (HD3)

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