

JAN 23 2025

A BILL FOR AN ACT

RELATING TO THE TRANSIENT ACCOMMODATIONS TAX.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 PART I

2 SECTION 1. The legislature finds that Hawaii's natural
3 resources, including reefs, oceans, forests, streams, estuaries,
4 shorelines, and beaches, provide irreplaceable and invaluable
5 benefits to visitors, residents, and the global community.

6 The Hawaii State Constitution makes clear that the State's
7 natural and cultural resources are required to be held in public
8 trust, and therefore, must be managed and protected for the
9 benefit of present and future generations. The Hawaii State
10 Constitution further requires the State and its agencies to
11 protect and enforce Native Hawaiian rights, including
12 traditional and customary practices associated with, and
13 dependent upon, carefully managed and abundant natural
14 resources.

15 The legislature further finds that Hawaii's natural
16 environment faces significant environmental pressure from the
17 heavy use it receives from persons traveling to enjoy the



1 State's natural resources. The current underinvestment in the
2 State's natural resources poses a significant liability to the
3 visitor industry; the stability of natural systems, including
4 food systems and water quality; and the ecosystems, services,
5 fisheries, economic resilience, and health and safety of the
6 State.

7 The legislature notes that the visitor industry is
8 critically important for the State's economy. In 2019, the
9 visitor industry brought in \$17.75 billion in total visitor
10 spending to businesses in Hawaii, generated \$2.07 billion in
11 taxes, and supported 216,000 jobs statewide.

12 The legislature asserts that the visitor industry should be
13 provided with resources to improve the quality of the visitor
14 experience to sustain the economic benefits to Hawaii, and
15 equally importantly, to synergize tourism with the quality of
16 life for Hawaii's residents. The visitor industry should move
17 toward regenerative tourism by attracting responsible visitors
18 and implementing solutions to overcrowded attractions and
19 overtaxed infrastructure. Tourism should be environmentally
20 friendly, culturally sensitive, and synergistic with a high
21 quality of life for the State's residents.



1 The beaches of Waikiki provide an example of resources
2 needed to improve the quality of visitor experience. Waikiki is
3 recognized as Hawaii's primary visitor destination. In 2018,
4 the Hawaii Tourism Authority found that Waikiki accounts for
5 ninety per cent of all visitor accommodation units on Oahu and
6 nearly half of all units in the State. Sand beaches are
7 extremely important to the quality of visitor experience. In
8 2008, Hospitality Advisors LLC found that more than ninety per
9 cent of visitors considered beach availability in Waikiki as
10 very important or somewhat important. Sea level rise
11 constitutes a serious threat to the beaches of Waikiki. The
12 Waikiki beach improvement and maintenance program seeks to
13 restore and improve Waikiki public beaches, increase beach
14 stability through improvement and maintenance of shoreline
15 structures, providing safe access to and along the shoreline and
16 increase resilience to coastal hazards and sea level rise.

17 Hawaii residents currently contribute to the protection and
18 management of the State's natural resources through taxes,
19 environmental care, subsistence, cultural practices, and the
20 exercise of the values and practices embodied in the Hawaii
21 State Constitution. However, with escalating visitor impacts



1 and an increasing global threat to the island ecosystems, there
2 is an immediate need for additional resources to protect,
3 restore, sustain, manage, and conserve Hawaii's natural
4 resources. A regenerative tourism contribution has been
5 suggested by the Hawaii tourism authority as a means to obtain
6 the necessary resources.

7 The legislature believes that a one per cent transient
8 accommodations tax (TAT) increase is necessary to provide the
9 visitor industry with resources to improve visitor experience to
10 sustain the economic benefits to Hawaii. This one per cent TAT
11 increase could generate the necessary funding each year to
12 offset the adverse impacts of visitors and conserve Hawaii's
13 irreplaceable green infrastructure in perpetuity.

14 The legislature further finds that a malama aina visitor
15 impact tax is a type of "green tax" or "environmental protection
16 tax", which have been successfully implemented in many visitor
17 destinations throughout the world, including the European Union,
18 Galapagos Islands, Japan, New Zealand, and Palau. In these
19 locations, the taxes have demonstrated compounding benefits for
20 visitors, residents, and natural landscapes and seascapes.



1 The legislature believes that establishing a malama aina
2 visitor impact tax as a one per cent increase in the TAT in
3 Hawaii would be a significant and effective way to raise
4 additional revenue to offset visitor impacts and ensure a
5 healthy environment for future generations. A malama aina
6 visitor impact tax provides a reasonable and appropriate way to
7 generate these needed revenues.

8 Accordingly, the purpose of this Act is to:

- 9 (1) Establish a malama aina visitor impact tax program, to
10 be administered by the department of business,
11 economic development, and tourism;
- 12 (2) Establish a malama aina visitor impact tax special
13 fund to fund the malama aina visitor impact tax
14 program; and
- 15 (3) Temporarily increase the transient accommodations tax
16 by one per cent and deposit the additional tax revenue
17 into the malama aina visitor impact tax special fund.

18 SECTION 2. Chapter 201, Hawaii Revised Statutes, is
19 amended by adding a new part to be appropriately designated and
20 to read as follows:

21 **"PART . MALAMA AINA VISITOR IMPACT TAX PROGRAM**



1 **§201-A Definitions.** For purposes of this part:

2 "Department" means the department of business, economic
3 development, and tourism.

4 "Program" means the malama aina visitor impact tax program
5 established in section 201-B.

6 "Resident of Hawaii" means an individual who has:

7 (1) Filed or paid state income taxes for the previous tax
8 year; or

9 (2) Established domicile in the State, as evidenced by
10 documentation showing the individual's address,
11 including any of the following:

12 (A) A valid Hawaii driver's license;

13 (B) A valid Hawaii state identification card;

14 (C) A valid school identification card issued by a
15 school in the State; or

16 (D) Any other official document issued to the
17 individual within the last thirty days by a
18 government agency, financial institution,
19 insurance company, or utility company in the
20 State.



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1 "Special fund" means the malama aina visitor impact tax
2 special fund established pursuant to section 201-C.

3 "Visitor" means an individual located in the State who is
4 not a resident of the State.

5 **§201-B Malama aina visitor impact tax program;**
6 **established.** There is established within the department the
7 malama aina visitor impact tax program to allocate funds to
8 state agencies to:

9 (1) Improve the quality of visitor experience to sustain
10 the economic benefits contributed by the visitor
11 industry; and

12 (2) Protect, restore, and manage the State's natural and
13 cultural resources.

14 **§201-C Malama aina visitor impact tax special fund;**
15 **established.** (a) There is established within the state
16 treasury the malama aina visitor impact fee special fund into
17 which shall be deposited:

18 (1) Appropriations made to the special fund by the
19 legislature;

20 (2) For the period beginning on January 1, 2026, to
21 December 31, 2030, all transient accommodations tax



1 and surcharge on state tax revenues allocated to the
2 special fund pursuant to section 237D-2(f)(1)(B); and
3 (3) Grants, gifts, and donations from public agencies and
4 private persons.

5 All interest earned or accrued on moneys deposited in the
6 special fund shall become part of the special fund.

7 (b) The special fund shall be administered by the
8 department with transparency and accountability in a manner that
9 maximizes the effectiveness of the program.

10 (c) Moneys in the special fund shall be expended to:

11 (1) Implement and administer the program, including the
12 development and implementation of a visitor impact fee
13 strategic plan that includes a timetable for the
14 implementation of the objectives and policies of this
15 part; and

16 (2) Be allocated to appropriate state agencies to fund
17 projects that provide resources to the visitor
18 industry, improve visitor experience to sustain
19 economic benefits to Hawaii, help offset adverse
20 environmental impacts caused by visitors, and ensure
21 that the State's natural resources are maintained for



1 continued use by visitors. Examples of permissible
2 projects under this subsection include the Waikiki
3 beach improvement and maintenance program and projects
4 that directly restore, enhance, and protect, in
5 perpetuity, natural resources and the State's unique
6 and fragile ecological status, including projects
7 that:

8 (A) Protect, restore, or enhance terrestrial and
9 marine natural resources impacted by heavy usage
10 of licensees;

11 (B) Increase the resilience and adaptation of
12 Hawaii's natural resources with environmentally
13 beneficial strategies to reduce the adverse
14 impacts of climate change, including coastal
15 erosion, sea level rise, damage to reefs, ocean
16 acidification, coral bleaching, damage to land
17 resources, and other impacts exacerbated by
18 licensees; or

19 (C) Remove and control invasive species and propagate
20 and plant native species in state-owned
21 recreational areas utilized by licensees.



(d) Moneys allocated from the special fund to state agencies pursuant to subsection (c)(2) shall be in addition to and shall not supplant any portion of the base budget of the state agencies.

§201-D Report to legislature. (a) The department shall submit a report of its findings and recommendations on the program and special fund, including any proposed legislation, to the legislature no later than twenty days prior to the convening of the regular sessions of 2026, 2027, 2028, 2029, 2030, and 2031. The report shall include:

(1) Status and progress of the program, including how the program:

(A) Assisted the visitor industry with resources to improve the quality of visitor experience to sustain the economic benefits to the State;

(B) Restored, enhanced, and protected Hawaii's state-owned natural resources and its unique and vulnerable ecosystem during the previous fiscal year, as well as the benefits that have accrued or will accrue from those expenditures for the benefit of the State's natural resources; and



(2) An accounting of the receipts of and expenditures from the special fund.

(b) The department shall publish the reports submitted to the legislature pursuant to subsection (a) on its website for public access."

PART II

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

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

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

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

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

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

(5) 9.25 per cent for the period beginning on July 1, 2010, 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 (a), as provided in this
8 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, and thereafter.

19 (d) Every plan manager shall be liable for and pay to the
20 State the transient accommodations tax imposed by subsection (c)
21 as provided in this chapter. Every resort time share vacation



1 plan shall be represented by a plan manager who shall be subject
2 to this chapter.

3 (e) Notwithstanding the tax rates established in
4 subsections (a)(5) and (c)(3), the tax rates levied, assessed,
5 and collected pursuant to subsections (a) and (c) shall be 10.25
6 per cent for the period beginning on January 1, 2018, to
7 ~~[December 31, 2030,]~~ December 31, 2025, provided that:

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

14 (2) If a court of competent jurisdiction determines that
15 the amount of county surcharge on state tax revenues
16 deducted and withheld by the State, pursuant to
17 section 248-2.6, violates statutory or constitutional
18 law and, as a result, awards moneys to a county with a
19 population greater than five hundred thousand, then an
20 amount equal to the monetary award shall be deducted
21 and withheld from the tax revenues deposited under



1 paragraph (1) into the mass transit special fund, and
2 those funds shall be a general fund realization of the
3 State.

4 The remaining tax revenues levied, assessed, and collected
5 at the 9.25 per cent tax rate pursuant to subsections (a) and
6 (c) shall be deposited into the general fund in accordance with
7 section 237D-6.5(b).

8 (f) Notwithstanding the tax rates established in
9 subsections (a)(5) and (c)(3), the tax rates levied, assessed,
10 and collected pursuant to subsections (a) and (c) shall be 11.25
11 per cent for the period beginning on January 1, 2026, to
12 December 31, 2030, provided that:

13 (1) The tax revenues levied, assessed, and collected
14 pursuant to this subsection that are in excess of the
15 revenues realized from the levy, assessment, and
16 collection of tax at the 9.25 per cent rate shall be
17 deposited quarterly as follows:

18 (A) One per cent into the mass transit special fund
19 established pursuant to section 248-2.7; and



1 (B) One per cent into the malama aina visitor impact
2 tax special fund established pursuant to section
3 201-C.

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

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

19 SECTION 4. Section 237D-6.5, Hawaii Revised Statutes, is
20 amended by amending subsection (b) to read as follows:



1 "(b) Except for the revenues collected pursuant to section
2 237D-2(e) [~~7~~] or (f), revenues collected under this chapter shall
3 be distributed in the following priority, with the excess
4 revenues to be deposited into the general fund:

5 (1) \$1,500,000 shall be allocated to the Turtle Bay
6 conservation easement special fund beginning July 1,
7 2015, for the reimbursement to the state general fund
8 of debt service on reimbursable general obligation
9 bonds, including ongoing expenses related to the
10 issuance of the bonds, the proceeds of which were used
11 to acquire the conservation easement and other real
12 property interests in Turtle Bay, Oahu, for the
13 protection, preservation, and enhancement of natural
14 resources important to the State, until the bonds are
15 fully amortized;

16 (2) \$11,000,000 shall be allocated to the convention
17 center enterprise special fund established under
18 section 201B-8;

19 (3) An allocation shall be deposited into the tourism
20 emergency special fund, established in section
21 201B-10, in a manner sufficient to maintain a fund



1 balance of \$5,000,000 in the tourism emergency special
2 fund; and

3 (4) \$3,000,000 shall be allocated to the special land and
4 development fund established under section 171-19;
5 provided that the allocation shall be expended in
6 accordance with the Hawaii tourism authority strategic
7 plan for:

8 (A) The protection, preservation, maintenance, and
9 enhancement of natural resources, including
10 beaches, important to the visitor industry;

11 (B) Planning, construction, and repair of facilities;
12 and

13 (C) Operation and maintenance costs of public lands,
14 including beaches, connected with enhancing the
15 visitor experience.

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

20 SECTION 5. Section 248-2.7, Hawaii Revised Statutes, is
21 amended to read as follows:



1 **"§248-2.7 Mass transit special fund; established;**

2 **distribution of funds.** (a) There is established a mass transit
3 special fund to be administered by the department of budget and
4 finance.

5 (b) For the period beginning on January 1, 2018, to
6 ~~[December 31, 2030,]~~ December 31, 2025, transient accommodations
7 tax and surcharge on state tax revenues allocated to the mass
8 transit special fund pursuant to sections 237D-2(e) and 248-2.6
9 shall be deposited into the special fund. All interest earned
10 on the moneys in the special fund shall be credited to the
11 general fund. The mass transit special fund shall be exempt
12 from the central service expenses deduction under section 36-27
13 and departmental administrative expenses deduction under section
14 36-30.

15 (c) For the period beginning on January 1, 2026, to
16 December 31, 2030, transient accommodations tax and surcharge on
17 state tax revenues allocated to the mass transit special fund
18 pursuant to sections 237D-2(e)(1) and 248-2.6 shall be deposited
19 into the special fund. All interest earned on the moneys in the
20 special fund shall be credited to the general fund. The mass
21 transit special fund shall be exempt from the central service



1 expenses deduction under section 36-27 and departmental
2 administrative expenses deduction under section 36-30.

3 ~~[(e)]~~ (d) Upon receiving a certification statement from
4 the comptroller pursuant to section 40-81.5, the director of
5 finance shall allocate and disburse moneys in the mass transit
6 special fund to the director of finance of a county with a
7 population greater than five hundred thousand; provided that the
8 director of finance shall only disburse those amounts that are
9 certified in the certification statement for that county for the
10 purposes specified in section 46-16.8; provided further that
11 revenues allocated from the special fund shall not be used for:

12 (1) Operating or maintenance costs of the mass transit
13 project or any purpose not consistent with section
14 46-16.8(f); or

15 (2) Administrative, operating, marketing, or maintenance
16 costs, including personnel costs, of a rapid
17 transportation authority charged with the
18 responsibility for constructing, operating, or
19 maintaining the mass transit project;

20 provided further that the total amount of funds that are
21 available, allocated, and disbursed by the director of finance



1 pursuant to this section shall not be in excess of the total
2 amount indicated on the certification statement. The director
3 of finance may allocate and disburse moneys pursuant to this
4 section on a monthly basis.

5 Any amounts allocated and disbursed pursuant to this
6 section shall be subject to the availability of funds deposited
7 and on balance in the special fund. The director of finance
8 shall not allocate or disburse any amounts from the special fund
9 that are in excess of any amounts deposited and on balance in
10 the special fund.

11 [~~(d)~~] (e) The director of finance shall post all
12 certification statements received from the comptroller pursuant
13 to section 40-81.5 on the department of budget and finance's
14 website within ten working days of payments made pursuant to
15 this section.

16 [~~(e)~~] (f) The department of budget and finance shall
17 submit an annual report to the legislature not later than twenty
18 days prior to the convening of each regular session on the total
19 amount of funds allocated pursuant to this section.

20 [~~(f)~~] (g) The director of finance may establish rules,
21 exempt from chapter 91, for the purposes of this section."



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PART III

SECTION 6. In codifying the new sections added by section 2 and referenced in section 3 of this Act, the revisor of statutes shall substitute appropriate section numbers for the letters used in designating the new sections in this Act.

SECTION 7. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 8. This Act shall take effect upon its approval; provided that sections 3, 4, and 5 of this Act shall take effect on January 1, 2026; provided further that on December 31, 2030, this Act shall be repealed and sections 237D-2, 237D-6.5, and 248-2.7, Hawaii Revised Statutes, shall be reenacted in the form in which it read on the day prior to the effective date of this Act.

INTRODUCED BY:



S.B. NO. 1215

Report Title:

DBEDT; TAT; Malama Aina Visitor Impact Tax Program; Malama Aina Visitor Impact Tax Special Fund; Reports

Description:

Establishes the Malama Aina Visitor Impact Tax Program within the Department of Business, Economic Development, and Tourism to allocate funds to state agencies to improve the quality of visitor experience to sustain the economic benefits contributed by the visitor industry and protect, restore, and manage the State's natural and cultural resources. Establishes the Malama Aina Visitor Impact Tax Special Fund to fund the program. Increases the transient accommodations tax by one per cent from 1/1/2026 to 12/31/2030 and requires the additional tax revenues to be deposited into the Special Fund. Requires the Department to submit annual reports to the Legislature. Repeals 12/31/2030.

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