

JAN 23 2026

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## A BILL FOR AN ACT

RELATING TO TRANSPORTATION.

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

1 SECTION 1. Chapter 266, Hawaii Revised Statutes, is  
2 amended by adding two new sections to be appropriately  
3 designated and to read as follows:

4       **"§266-A   Cruise ships; passenger head fee.** (a) The  
5        department of transportation shall assess a fee of \$6.50 per  
6        passenger against any cruise ship that docks in any commercial  
7        harbor in the State.

8        (b) All fees collected pursuant to this section shall be  
9        deposited into the cruise ship special fund established pursuant  
10      to section 266-B.

11       (c) For the purposes of this section:

12       "Cruise ship" means any ship that docks at any commercial  
13      harbor in the State that charges a fee for and provides cruise  
14      ship cabins to passengers.

15       "Cruise ship cabin" means an accommodation or living  
16      quarter on a cruise ship that is provided to a passenger.



1        **S266-B    Cruise ship special fund; established.**    (a)    There  
2        is established in the state treasury the cruise ship special  
3        fund, into which shall be deposited:  
4                (1)    All revenues from any fees collected pursuant to  
5                    section 266-A;  
6                (2)    Appropriations made by the legislature for deposit  
7                    into the fund;  
8                (3)    All contributions from public or private partners; and  
9                (4)    All interest earned on or accrued to moneys deposited  
10                    in the special fund.  
11                (b)    Moneys in the cruise ship special fund shall be used  
12                    solely for port facility and harbor capital improvement  
13                    projects, including shore power connectivity to support the  
14                    cruise ship industry."  
15        SECTION 2.   Section 37-79, Hawaii Revised Statutes, is  
16        amended to read as follows:  
17                "**[+]S37-79[+]    Climate change and tourism destination**  
18        **management; projects; budget request.**   The governor shall  
19        request, in the budget or the supplemental budget submitted to  
20        the legislature pursuant to section 37-71 or 37-72, that an  
21        amount of general funds that approximates the additional revenue



1 generated by any increase to the transient accommodations tax  
2 rates pursuant to section 237D-2(a)(6) and (c)(4) beginning on  
3 January 1, 2026, and section 237D-2(e) beginning on July 1,  
4 2026, ~~and by assessment of the transient accommodations tax on~~  
5 ~~gross rental proceeds derived from cruise fares pursuant to~~  
6 ~~section 237D-2(a)]~~ be expended equally to advance specific  
7 projects to:

8 (1) Protect, manage, and restore the State's natural  
9 resources, including native forests, native plants and  
10 animals, aquatic resources, coastal lands, and  
11 freshwater resources;

12 (2) Increase the resilience of structures and  
13 infrastructure to natural and climate-related  
14 disasters, such as hurricanes and sea level rise, and  
15 perform hazard mitigation activities, such as wildfire  
16 and flood mitigation; and

17 (3) Improve the visitor experience, mitigate the impacts  
18 of tourism on the natural environment, ensure that the  
19 State's natural resources are maintained for future  
20 residents and visitors, and support destination



1                   management, such as park improvements and beach  
2                   improvement, nourishment, and maintenance projects."

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

5                   1. By amending the definition of "gross rental" or "gross  
6                   rental proceeds" to read:

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



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

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

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



1 agency, or tour packager with respect to that person's  
2 respective portion of the proceeds and no more.

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

10 2. By deleting the definitions of "cruise fare", "cruise  
11 ship", and "cruise ship cabin".

12 ~~["Cruise fare" means the total amount paid by a transient  
13 for a cruise ship cabin on a cruise ship, inclusive of any  
14 mandatory fees imposed by a cruise ship operator, owner, or  
15 representative thereof on a transient for the use of shipboard  
16 services, facilities, meals, and onboard entertainment, but does  
17 not include optional charges for shipboard services, meals,  
18 excursions, and onboard entertainment beyond the mandatory fee  
19 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 SECTION 4. Section 237D-2, Hawaii Revised Statutes, is  
7 amended by amending subsection (a) to read as follows:

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

10 (1) Five per cent for the period beginning on January 1,  
11 1987, to June 30, 1994;

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

14 (3) 7.25 per cent for the period beginning on January 1,  
15 1999, to June 30, 2009;

16 (4) 8.25 per cent for the period beginning on July 1,  
17 2009, to June 30, 2010.

18 (5) 9.25 per cent for the period beginning on July 1,  
19 2010, to December 31, 2025; and

20 (6) Ten per cent for the period beginning on January 1,  
21 2026, and thereafter.



1 on the gross rental or gross rental proceeds derived from  
2 furnishing transient accommodations[, provided that an operator  
3 of a cruise ship shall be assessed and pay a tax of eleven per  
4 cent under this subsection on all gross rental proceeds derived  
5 from cruise fares prorated by the percentage of days docked at  
6 any port in the State in comparison to the total number of days  
7 of the voyage]."

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

10 SECTION 6. This Act shall take effect on July 1, 2026;  
11 provided that sections 2, 3, and 4 shall take effect retroactive  
12 to January 1, 2026.

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INTRODUCED BY

*James R. Morgan*



# S.B. NO. 2698

**Report Title:**

DOT; TAT; Cruise Ships; Passenger Head Fee; Cruise Ship Special Fund

**Description:**

Requires the Department of Transportation to assess a per passenger head fee against cruise ships docking in the State's commercial harbors. Establishes the Cruise Ship Special Fund. Repeals existing law imposing the Transient Accommodations Tax on cruise ships, effective retroactive to 1/1/2026.

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

