STAND. COM. REP. NO. 1236-26

Honolulu, Hawaii

MAR 19, 2026

RE: S.B. No. 2698
S.D. 2
H.D. 1

Honorable Nadine K. Nakamura
Speaker, House of Representatives
Thirty-Third State Legislature
Regular Session of 2026
State of Hawaii

Madame:

Your Committee on Transportation, to which was referred S.B. No. 2698, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO TRANSPORTATION,"

begs leave to report as follows:

The purpose of this measure is to:

(1) Require the Department of Transportation to assess a per passenger head fee against cruise ships docking in the State's commercial harbors;

(2) Establish the Cruise Ship Special Fund to be used for port facility and capital improvement projects to support cruise ship operations; and

(3) Repeal existing law imposing the Transient Accommodations Tax on cruise ships, effective retroactive to January 1, 2026.

Your Committee received testimony in support of this measure from the Department of Transportation; The Maritime Group; Polynesian Adventure Tours; Honolulu Ship Supply; Hawai'i Harbors Users Group; Matson Navigation Company, Inc.; Norwegian Cruise Line Holdings Ltd.; Kauai Kilohana Plantation; McCabe, Hamilton &

Renny Co., Ltd.; Hawaii Tour Consultants; and Hawaii Pilots Association. Your Committee received comments on this measure from the Department of the Attorney General; Department of Taxation; Hawai'i Tourism Authority; Hawaii Transportation Association; Care for 'Aina Now Coalition; Tax Foundation of Hawaii; and Maui Chamber of Commerce.

Your Committee finds that cruise ship tourism relies heavily on the State's commercial harbors and related infrastructure, creating ongoing demands for maintenance, upgrades, and capital improvements to support safe and efficient port operations. Your Committee further finds that Act 96, Session Laws of Hawaii 2025, which applied the transient accommodations tax to prorated cruise fares, has proven difficult to implement because cruise packages are typically sold as bundled products that include multiple services beyond lodging. Therefore, assessing a fixed per-passenger fee when cruise ships enter the State's commercial harbors offers a more workable and transparent approach for generating revenue associated with cruise ship activity and helps address the infrastructure and environmental impacts associated with cruise ship tourism.

Your Committee has amended this measure by:

(1) Changing the passenger head fee to an unspecified amount;

(2) Clarifying the authorization of expenditures out of the Cruise Ship Special Fund;

(3) Inserting language that appropriates an unspecified amount out of the Cruise Ship Special Fund;

(4) Inserting a savings clause for provisions related to the passenger head fee;

(5) Changing the effective date to July 1, 3000, to encourage further discussion; and

(6) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

Your Committee notes the recommended amount of $10 for the per passenger fee assessed against cruise ships that dock in any commercial harbor in the State.

As affirmed by the record of votes of the members of your Committee on Transportation that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2698, S.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2698, S.D. 2, H.D. 1, and be referred to your Committee on Tourism.

Respectfully submitted on
behalf of the members of the
Committee on Transportation,
Committee on Transportation,

DARIUS KILA, Chair

State of Hawaii
House of Representatives
The Thirty-third Legislature HSCR 1236-26

Record of Votes of the Committee on Transportation

Bill/Resolution No.:	Committee Referral:	Date:
SB 2698, SD2	TRN, TOU, FIN	3/17/26

☐ The committee is reconsidering its previous decision on the measure.

The recommendation is to: ☐ Pass, unamended (as is) ☑ Pass, with amendments (HD) ☐ Hold
☐ Pass short form bill with HD to recommit for future public hearing (recommit)

TRN Members	Ayes	Ayes (WR)	Nays	Excused
1. KILA, Darius K. (C)	✓			
2. MIYAKE, Tyson K. (VC)	✓			
3. COCHRAN, Elle		✓		
4. EVSLIN, Luke A.	✓			
5. GRANDINETTI, Tina Nakada	✓			
6. KITAGAWA, Lisa	✓			
7. LA CHICA, Trish	✓			
8. MURAOKA, Christopher L.		✓		
9. PIERICK, Elijah		✓		
TOTAL (9)	6	3	0	0

The recommendation is: ☑ Adopted ☐ Not Adopted

If joint referral, _____ did not support recommendation.
committee acronym(s)

Vice Chair's or designee's signature: Tyson Miyake

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