STAND. COM. REP. NO. 2589

Honolulu, Hawaii

FEB 20 2026

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

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Third State Legislature
Regular Session of 2026
State of Hawaii

Sir:

Your Committees on Transportation and Economic Development and Tourism, to which was referred S.B. No. 2698 entitled:

"A BILL FOR AN ACT RELATING TO TRANSPORTATION,"

beg leave to report as follows:

The purpose and intent 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; and

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

Your Committees received testimony in support of this measure from the Department of Transportation; Norwegian Cruise Line Holdings Ltd.; Honolulu Ship Supply; Polynesian Adventure Tours; The Maritime Group, Matson Navigation Company, Inc.; Hawai'i Harbors Users Group; Go Tours Hawaii; Hike Maui; Hawaii Tour Consultants LLC; Show You Hawai'i LLC; McCabe, Hamilton & Renny Co., Ltd.; Hawaii Stevedores, Inc.; Hawaii Pilots Association; and two individuals.

Your Committees received comments on this measure from the Department of the Attorney General, Department of Taxation, Hawai'i Tourism Authority, Tax Foundation of Hawaii, Hawaii Transportation Association, and Care for 'Āina Now Coalition.

Your Committees find that cruise operations bring meaningful economic benefits across multiple industries while also sustaining jobs and tax revenue for the State. Furthermore, the cruise ship industry plays an important role in strengthening the State's local supply chains and food resilience as cruise vessels represent an important source of revenue for local farmers and fishermen across the State. Your Committees further find that Act 96, Session Laws of Hawaii 2025, (Act 96) imposed the Transient Accommodations Tax on cruise ships. Act 96 is currently being challenged in court on the grounds that it violates the Tonnage Cause of the United States Constitution. This measure will resolve this constitutional issue by replacing the challenged tax with a per passenger fee and support capital improvement projects for port facilities and harbors.

Your Committees note the concern raised by the Department of Transportation that further clarity is needed regarding the assessment of the fee, uses of the Cruise Ship Special Fund, and that the new fee shall be assessed in addition to existing port fees. Therefore, amendments to this measure are necessary to address these concerns.

Your Committees have amended this measure by:

(1) Increasing the per passenger fee assessed against cruise ships that dock in any commercial harbor in the State from $6.00 to $10.00;

(2) Inserting language to specify that the fee shall be assessed at each port entry in addition to existing port user fees;

(3) Deleting language that would have required the deposit of appropriations made by the Legislature into the Cruise Ship Special Fund;

(4) Specifying that the moneys in the Cruise Ship Special Fund shall be used solely for port facility and capital

improvement projects to support cruise ship operations; and

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

As affirmed by the records of votes of the members of your Committees on Transportation and Economic Development and Tourism that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 2698, as amended herein, and recommend that it pass Second Reading in the form attached hereto as S.B. No. 2698, S.D. 1, and be referred to your Committees on Ways and Means and Judiciary.

Respectfully submitted on behalf of the members of the Committees on Transportation and Economic Development and Tourism.

Tourism,

LYNN DECOITE, Chair

LORRAINE R. INOUYE, Chair

The Senate
Thirty-Third Legislature
State of Hawai'i

Record of Votes
Committee on Transportation
TRS

Bill / Resolution No.:*	Committee Referral:	Date:
SB 2090	TRS/EDT, WAM/JDC	02/10/26

☐ The Committee is reconsidering its previous decision on this measure.

If so, then the previous decision was to: _____

The Recommendation is:

☐ Pass, unamended 2312 ☑ Pass, with amendments 2311 ☐ Hold 2310 ☐ Recommit 2313

Members	Aye	Aye (WR)	Nay	Excused
INOUYE, Lorraine R. (C)	✓			
ELEFANTE, Brandon J.C. (VC)	✓			
KANUHA, Dru Mamo	✓			
LEE, Chris				✓
DECORTE, Samantha	✓			
TOTAL	4	Ø	Ø	1

Recommendation: ☑ Adopted ☐ Not Adopted

Chair's or Designee's Signature: _____

Distribution: Original — File with Committee Report; Yellow — Committee; Pink — Drafting Agency

*Only one measure per Record of Votes

Revised: 01/02/26

The Senate
Thirty-Third Legislature
State of Hawai'i

Record of Votes
Committee on Economic Development and Tourism
EDT

Bill / Resolution No.:*	Committee Referral:	Date:
SB 2698	TRS/EDT. WAM/JDC	02/19/26

☐ The Committee is reconsidering its previous decision on this measure.

If so, then the previous decision was to: _____

The Recommendation is:

☐ Pass, unamended 2312 ☑ Pass, with amendments 2311 ☐ Hold 2310 ☐ Recommit 2313

Members	Aye	Aye (WR)	Nay	Excused
DECOITE, Lynn (C)	✓			
WAKAI, Glenn (VC)	✓			
FUKUNAGA, Carol	✓			
KIM, Donna Mercado	✓			
FEVELLA, Kurt	✓			
TOTAL	5	Ø	Ø	Ø

Recommendation: ☑ Adopted ☐ Not Adopted

Chair's or Designee's Signature:

Distribution: Original — File with Committee Report; Yellow — Committee; Pink — Drafting Agency

*Only one measure per Record of Votes

Revised: 01/02/26