
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 \$10.00 per
6 passenger against any cruise ship that docks in any commercial
7 harbor in the State. The fee shall be assessed at each port
8 entry and shall be assessed in addition to existing port user
9 fees pursuant to this chapter and set forth in rules adopted by
10 the department of transportation pursuant to chapter 91,
11 including port entry, dockage, and passenger fees.

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

15 (c) For the purposes of this section:



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

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

6 **§266-B Cruise ship special fund; established.** (a) There
7 is established in the state treasury the cruise ship special
8 fund, into which shall be deposited:

- 9 (1) All revenues from any fees collected pursuant to
- 10 section 266-A;
- 11 (2) All contributions from public or private partners; and
- 12 (3) All interest earned on or accrued to moneys deposited
- 13 in the special fund.

14 (b) Moneys in the cruise ship special fund shall be used
15 solely for port facility and capital improvement projects to
16 support cruise ship operations."

17 SECTION 2. Section 37-79, Hawaii Revised Statutes, is
18 amended to read as follows:

19 **"[+]§37-79[+] Climate change and tourism destination**
20 **management; projects; budget request.** The governor shall
21 request, in the budget or the supplemental budget submitted to



1 the legislature pursuant to section 37-71 or 37-72, that an
2 amount of general funds that approximates the additional revenue
3 generated by any increase to the transient accommodations tax
4 rates pursuant to section 237D-2(a)(6) and (c)(4) beginning on
5 January 1, 2026, and section 237D-2(e) beginning on July 1,
6 2026, [~~and by assessment of the transient accommodations tax on~~
7 ~~gross rental proceeds derived from cruise fares pursuant to~~
8 ~~section 237D-2(a)] be expended equally to advance specific
9 projects to:~~

- 10 (1) Protect, manage, and restore the State's natural
11 resources, including native forests, native plants and
12 animals, aquatic resources, coastal lands, and
13 freshwater resources;
- 14 (2) Increase the resilience of structures and
15 infrastructure to natural and climate-related
16 disasters, [~~such as~~] including hurricanes and sea
17 level rise, and perform hazard mitigation activities,
18 [~~such as~~] including wildfire and flood mitigation; and
- 19 (3) Improve the visitor experience, mitigate the impacts
20 of tourism on the natural environment, ensure that the
21 State's natural resources are maintained for future



1 residents and visitors, and support destination
2 management, such as park improvements and beach
3 improvement, nourishment, and maintenance projects."

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

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

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



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

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

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



1 to each operator and transient accommodations broker, travel
2 agency, or tour packager with respect to that person's
3 respective portion of the proceeds and no more.

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

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

13 [~~"Cruise fare" means the total amount paid by a transient
14 for a cruise ship cabin on a cruise ship, inclusive of any
15 mandatory fees imposed by a cruise ship operator, owner, or
16 representative thereof on a transient for the use of shipboard
17 services, facilities, meals, and onboard entertainment, but does
18 not include optional charges for shipboard services, meals,
19 excursions, and onboard entertainment beyond the mandatory fee
20 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.



S.B. NO. 2698
S.D. 1

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 in addition to existing port user fees. Establishes the Cruise Ship Special Fund. Repeals existing law imposing the Transient Accommodations Tax on cruise ships, effective retroactive to 1/1/2026. (SD1)

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

