THE SENATE
THIRTY-THIRD LEGISLATURE, 2026
STATE OF HAWAII

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

A BILL FOR AN ACT

RELATING TO TRANSPORTATION.

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

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

"**§266-A Cruise ships; passenger head fee.** (a) The department of transportation shall assess a fee of $10.00 per passenger against any cruise ship that docks in any commercial harbor in the State. The fee shall be assessed at each port entry and shall be assessed in addition to existing port user fees pursuant to this chapter and set forth in rules adopted by the department of transportation pursuant to chapter 91, including port entry, dockage, and passenger fees.

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

(c) For the purposes of this section:

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

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

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

(1) All revenues from any fees collected pursuant to section 266-A;

(2) All contributions from public or private partners; and

(3) All interest earned on or accrued to moneys deposited in the special fund.

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

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

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

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

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

(2) Increase the resilience of structures and infrastructure to natural and climate-related disasters, [~~such as~~] including hurricanes and sea level rise, and perform hazard mitigation activities, [~~such as~~] including wildfire and flood mitigation; and

(3) Improve the visitor experience, mitigate the impacts of tourism on the natural environment, ensure that the State's natural resources are maintained for future

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

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

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

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

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

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

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

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

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

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

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

~~"Cruise ship" means any ship that docks at any port in the State that charges a fee for and provides cruise ship cabins to transients.~~

~~"Cruise ship cabin" means an accommodation or living quarter on a cruise ship that is provided to a transient.~~"]

SECTION 4. Section 237D-2, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(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;

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

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

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

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

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

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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)

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