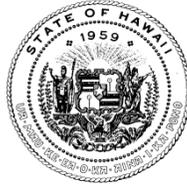


JOSH GREEN, M.D.
GOVERNOR
KE KIA'ĀINA



STATE OF HAWAII | KA MOKU'ĀINA 'O HAWAI'I
DEPARTMENT OF TRANSPORTATION | KA 'OIHANA ALAKAU
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097

EDWIN H. SNIFFEN
DIRECTOR
KA LUNA HO'OKELE

Deputy Directors
Nā Hope Luna Ho'okele
DREANALEE K. KALILI
TAMMY L. LEE
CURT T. OTAGURO
ROBIN K. SHISHIDO

Tuesday, March 17, 2026
9:30 am
State Capitol, 430

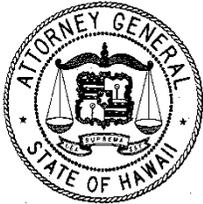
SB2698, SD2
RELATING TO TRANSPORTATION

House Committee on Transportation

The Department of Transportation (DOT) supports this measure that authorizes the DOT to assess a per passenger head fee against cruise ships docking in the State's commercial harbors, establishes the Cruise Ship Special Fund, and repeals existing law imposing the transient accommodations tax on cruise ships.

The DOT recognizes the intent of this bill to generate revenue for port facilities and capital improvements through a new per passenger fee and we appreciate the Legislature's efforts to address the ongoing need for funding to maintain and upgrade our critical maritime infrastructure. Based on cruise ship passenger counts from Fiscal Year 2025, we estimate the annual revenue generation from this fee as proposed is \$9.7 million. This revenue will be used to maintain berths and facilities where cruise ships operate, including substructure repair, bollard and fender replacements, dredging, and passenger terminal improvements (e.g., air conditioning, restrooms, elevators). These funds can also be used for projects that address or mitigate the impacts of coastal erosion, changing sea conditions, and pollution.

Thank you for the opportunity to provide this testimony



**TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
KA 'OIHANA O KA LOIO KUHINA
THIRTY-THIRD LEGISLATURE, 2026**

ON THE FOLLOWING MEASURE:

S.B. NO. 2698, S.D. 2, RELATING TO TRANSPORTATION.

BEFORE THE:

HOUSE COMMITTEE ON TRANSPORTATION

DATE: Tuesday, March 17, 2026 **TIME:** 9:30 a.m.

LOCATION: State Capitol, Room 430

TESTIFIER(S): Anne E. Lopez, Attorney General, or
Yvonne R. Shinmura, Deputy Attorney General

Chair Kila and Members of the Committee:

The Department of the Attorney General (Department) provides the following comments.

The purpose of this bill is to impose a passenger head fee upon cruise ships that will be deposited into a cruise ship special fund for port facility and harbor capital improvement projects. This bill also retroactively repeals the transient accommodations tax on cruise ships established by Act 96, Session Laws of Hawaii 2025, to January 1, 2026, the effective date of Act 96.

Section 1 of this bill proposes to add to chapter 266, Hawaii Revised Statutes, two new sections. The second new section, temporarily designated as section 266-B, will establish the Cruise Ship Special Fund. The Department is concerned that the new section 266-B(b), which designates moneys in the special fund to be used solely for port facility and capital improvement projects to support cruise ship operations, does not provide for the authorization of expenditures from the special fund by an administrator. In addition, the Department is concerned that the new section 266-B, at page 2, lines 6-16, does not provide for administration of the special fund by the Department of Transportation. Finally, to preserve the validity of existing laws, the Department is concerned about the lack of a savings clause in the bill. The following suggested amendments to the bill will address our concerns.

Authorization of Expenditures out of the Special Fund.

Without the following amendments to new section 266-B(b), at page 2, lines 14-16, expenditures out of the special fund cannot be authorized and thus the moneys will not be able to be spent in accordance with the bill:

(b) Moneys in the cruise ship special fund shall be used solely for port facility and capital improvement projects to support cruise ship operations[-] as authorized by the director of transportation.

(Suggested amendments are Ramseyered against the wording of the bill, with original underscoring removed.)

Expenditure Provisions.

In its current form, the bill does not appropriate money out of the new special fund. Without allowing for the expenditure of funds, the Department of Transportation will not be able to carry out the purpose of the bill. If the intent of the bill is to allow the expenditure of funds for port facility and capital improvement projects, such expenditures cannot be made without the recommended insertion of a new section 5 at page 8, beginning at line 8:

SECTION 5. There is appropriated out of the cruise ship special fund the sum of \$_____ or so much thereof as may be necessary for fiscal year 2026-2027 to be expended by the department of transportation for the purposes of this Act.

Savings Clause for Passenger Head Fee.

To preserve the validity of existing laws, and to ensure that section 1 of the bill, which establishes the passenger head fee, is applied prospectively, the following savings clause is recommended to be inserted as a new section 6:

SECTION 6. Section 1 of this Act does not affect rights and duties that matured, penalties that were incurred, and proceedings that were begun before its effective date.

Accordingly, existing sections 5 and 6 should be redesignated as sections 7 and 8.

We respectfully ask the Committee to make the recommended amendments. Thank you for the opportunity to provide comments on this bill.

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION

Ka 'Oihana 'Auhau
P.O. BOX 259

HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

**TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

TESTIMONY ON THE FOLLOWING MEASURE:

S.B. No. 2698, S.D.2, Relating to Transportation

BEFORE THE:

House Committee on Transportation

DATE: Tuesday, March 17, 2026

TIME: 9:30 a.m.

LOCATION: State Capitol, Room 430

Chair Kila, Vice-Chair Miyake, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding S.B. 2698, S.D.2, for your consideration.

S.B. 2698, S.D.2, amends chapter 266, Hawaii Revised Statutes (HRS), governing the Department of Transportation Harbors Division, by adding new sections imposing a \$10.00 per passenger "head fee" against any cruise ship that docks in any commercial harbor in Hawai'i. The fee would be assessed at each port entry in the State and would be in addition to existing port user fees. The fees would be deposited in the Cruise Ship Special Fund to be used solely for port facility and capital improvement projects in support of cruise ship operations.

Sections 3 and 4 of the bill amend sections 237D-1 and 237D-2, HRS, to repeal the imposition of the transient accommodations tax on cruise fares.

The measure has a defective effective date of July 1, 2050, provided that sections 2, 3, and 4 are effective retroactively to January 1, 2026.

DOTAX notes that it can implement the tax law changes in sections 3 and 4 in this bill by the proposed effective date.

Thank you for the opportunity to provide comments on this measure.



TESTIMONY OF
CAROLINE ANDERSON
Interim President & CEO
Hawai'i Tourism Authority
before the
SENATE COMMITTEE ON TRANSPORTATION

Tuesday, March 17, 2026
9:30 a.m.

State Capitol, Room 430

In consideration of

SB 2698 SD2

RELATING TO TRANSPORTATION

Aloha Chair Kila, Vice Chair Miyake, and Members of the Committees:

The Hawai'i Tourism Authority (HTA) offers comments on SB 2698 SD2, which would establish a \$10 per-passenger head fee on cruise ships, assessed at each port entry in the State. It would also create a Cruise Ship Special Fund and limit its use to port facilities and capital improvement projects that support cruise ship operations. In addition, the bill would repeal the existing framework that applies the transient accommodations tax (TAT) to cruise ship cabins and fares.

HTA believes SB 2698 SD2 addresses several industry concerns regarding the framework established by Act 096. First, a flat, per-passenger fee assessed at each port call is easier for cruise lines to forecast and administer than a percentage-based tax applied to cruise fares.

Second, the per-passenger approach is a more practical and fair way to assess a charge comparable to a transient accommodations tax, because cruise purchases are typically sold as bundled packages that include much more than onboard lodging. A flat fee acknowledges that difference and reduces the complexity of applying an accommodation-style tax to a bundled product.

Third, directing fee revenues into a dedicated Cruise Ship Special Fund provides a clearer, more transparent path for how those revenues are spent. By limiting the fund to port facility and capital improvement projects that support cruise ship operations, the bill strengthens the connection between the fee paid and the benefit provided at the locations cruise ships and passengers use.

Finally, focusing the fund on port facilities and capital improvement projects can support infrastructure upgrades that help ports and maritime operators meet sustainability and operational expectations. This approach is also consistent with the environmental intent of Act 096 by supporting investments that reduce impacts and improve environmental performance in maritime operations.

Mahalo for the opportunity to provide comments on SB 2698 SD2.



March 17, 2026

HOUSE COMMITTEE ON TRANSPORTATION

Rep. Darius Kila , Chair; Rep. Tyson Miyake, Vice Chair; and Committee Members
Public Hearing, March 17, 2026, 9:30 a.m. – Conference Room 430, State Capitol

Testimony of William F. Anonsen, Managing Partner/Principal of The Maritime Group
In Support of S.B. 2698 SD2, Relating to Cruise Ship Special Fund

My name is William F. Anonsen, Managing Partner and Principal of The Maritime Group, and we respectfully submit this testimony in support of S.B. 2698, SD2. I previously testified in support of the earlier draft of this measure and appreciate the amendments adopted by the Senate Committees as reflected in SD2 and Senate Standing Committee Report No. 2954.

S.B. 2698, SD2 establishes a practical and transparent funding mechanism to support Hawai'i's commercial harbor infrastructure by replacing the application of the Transient Accommodations Tax (TAT) to cruise fares with a \$10 per passenger head fee assessed on cruise ships docking at the State's commercial harbors. Revenues from this fee would be deposited into a dedicated Cruise Ship Special Fund to support harbor facility and capital improvement projects that benefit cruise ship operations and the broader maritime system.

Based on recent cruise activity levels, the Senate Committees noted that the measure could generate approximately \$9.7 million annually, with revenues generated from cruise ship activity to be reinvested directly into harbor-related improvements.

These investments may include projects such as:

- Shore power infrastructure and emissions reduction systems
- Pier and terminal modernization
- Safety and navigational improvements
- Climate resilience and sea-level rise adaptation measures
- Operational and cargo efficiency improvements within the harbor system

The bill establishes a fair "user pays, user benefits" framework that more appropriately recognizes that cruise ships utilize Hawai'i's ports as transportation infrastructure. Investment in harbor improvements benefits the maritime industry, the statewide supply chain, and the many local businesses and workers who depend on cruise ship visitation. For these reasons, we respectfully urge the Committee to pass S.B. 2698, SD2.

Respectfully submitted,

William F. Anonsen

William F. Anonsen
Managing Partner/Principal
THE MARITIME GROUP

1000 Auahi Street, Suite 1509 Honolulu, Hawai'i, 96814
Tel: (808) 232-1831 www.The-Maritime-Group.com



TESTIMONY IN SUPPORT OF SB2698 – SD2

To: House Committee on Transportation

Chair Kila, Vice Chair Miyake and Committee Members:

My name is **Terry Fischer**, and I am the President and CEO of **Polynesian Adventure Tours**. I am writing today in support of **SB2698**, representing our **340 employees** who live and work across **O'ahu, Maui, Kaua'i, and Hawai'i Island**.

The cruise industry plays a vital role in sustaining Hawai'i's visitor economy, and the transportation network that supports cruise passengers is powered by **local bus and group travel companies**. At Polynesian Adventure Tours—and across Hawai'i's motorcoach sector—we move thousands of visitors every day to attractions, hotels, and **locally owned businesses**, putting real dollars into local communities while **reducing congestion on our roads**.

For many small and independently owned restaurants, attractions, and activity providers, **cruise-related visitation is essential to their survival**. Cruise passengers provide consistent and predictable demand that helps these businesses operate year-round, retain local employees, and cover the fixed costs of doing business in a tourism-dependent economy. Importantly, this spending largely **stays within the community**, supporting the cultural, recreational, and experiential offerings that make Hawai'i unique for both residents and visitors.

Buses are also the **most sustainable form of mass transportation available today**. According to research from the **ABA Foundation**, buses produce fewer carbon emissions per passenger mile than airplanes, trains, taxis, or passenger vans—making group transportation one of the most effective ways to move visitors while protecting Hawai'i's natural environment.

The economic contribution tied to this activity is significant. **Bus and group travel in Hawai'i generates more than \$1.25 billion in economic output**, supports over **6,400 local jobs**, produces **\$353 million in wages**, and contributes nearly **\$200 million in state and local taxes**—revenue that directly supports local families, public services, and small businesses across the islands.

SB2698 creates a **balanced path forward** by aligning cruise visitation with a funding structure that supports infrastructure, environmental stewardship, and the long-term sustainability of Hawai'i's tourism economy. Measures that strengthen the overall visitor ecosystem also strengthen the **local transportation providers, small businesses, and workers** who depend on it.

Polynesian Adventure Tours respectfully supports **SB2698** because it helps ensure that tourism continues to generate jobs, invest in communities, and move visitors in the **most efficient and environmentally responsible way possible**.

Thank you for the opportunity to testify.

Terry Fischer

President – Polynesian Adventure Tours

2965 N Nimitz Hwy
Honolulu, HI
96819

Testimony for SB2698 SD2, Relating to Cruise Ship Passenger Fees
Senate Committee on Transportation
Tuesday, March 17, 2026

Aloha Chair and Members of the Committee,

Honolulu Ship Supply is respectfully **in support of** SB2698 SD2, relating to cruise ship passenger fees.

Honolulu Ship Supply has served Hawai'i's maritime industry since 1972 and is a provider of ship provisioning, technical supplies, regulated waste management, and custom services for vessels of all kinds. Our work supporting cruise operations gives us extensive experience with the harbor system and the importance of maintaining strong maritime infrastructure.

Cruise operations bring meaningful economic benefits across multiple channels including harbor activity, local provisions, stevedoring, tugboat operators, ground-handlers, and tour operators, while also sustaining jobs and tax revenue for the State. Cruise ships support local employment and economic stability across Hawai'i's ports.

In addition, the cruise ship industry plays an important role in strengthening Hawai'i's local supply chains. Cruise vessels are an important of revenue for local farmers and fishermen on all islands of Hawai'i, supporting small agricultural businesses and contributing to Hawai'i's food resilience.

SB2698 SD2 establishes a per-passenger head fee on cruise ship visitors arriving at Hawai'i's commercial harbors and creates a Cruise Ship Special Fund to ensure these revenues are dedicated toward harbor infrastructure needs and improvements. The bill also repeals the transient accommodations tax as it applies to cruise ship passengers.

We believe this measure provides a clearer and more equitable structure for supporting the harbor system. A dedicated fund will allow the Department of Transportation to invest directly in port improvements that enhance operational efficiency, strengthen resiliency, and advance important sustainability goals such as shore power connectivity and emissions reduction.

For the reasons outlined above, Honolulu Ship Supply respectfully asks that you advance SB2698 SD2.

Mahalo for your consideration.

Maxime Aymonod
CEO at Honolulu Ship Supply



Testimony in **SUPPORT** for SB 2698 SD2, Relating to Transportation

House Committee on Transportation
March 17, 2026

Aloha Chair Kila, Vice Chair Miyake, and members of the committee,

The Hawaii Harbors Users Group is writing in **support** of SB 2698 SD2, relating to transportation. This bill requires the Department of Transportation to impose a per-passenger head fee on cruise ships docking at Hawai'i's commercial harbors, creates a dedicated Cruise Ship Special Fund, and repeals the Transient Accommodations Tax on cruise ships.

Our membership includes a broad range of maritime stakeholders, including cruise ship operators and companies that work directly in harbor operations, giving us a unique and informed perspective on the practical needs of the industry and the State.

Cruise vessels depend heavily on harbor services such as berthing, security, pilotage, tug assistance, longshore labor, and terminal facilities. These services require continuous investment to maintain safe, efficient, and reliable operations alongside cargo and interisland shipping. A per-passenger head fee is a transparent and predictable mechanism that directly links harbor use to harbor support.

Equally important, the repeal of the Transient Accommodations Tax on cruise ships is a positive and necessary policy clarification. Removing the TAT recognizes that cruise travel is fundamentally different from land-based accommodations and avoids duplicative taxation on the same visitor activity, while still ensuring that cruise passengers contribute meaningfully through a fee tied directly to the use of state harbor facilities. HHUG strongly supports this change as a fairer approach that aligns taxation with actual impacts on infrastructure.

The creation of the Cruise Ship Special Fund further strengthens this measure by dedicating revenues to harbor-related capital improvements and operational needs. Directing these funds to port facilities and infrastructure will benefit all harbor users, improve efficiency, and enhance safety throughout Hawai'i's commercial harbor system. From the perspective of our members—including cruise operators themselves—stable, modern, and well-maintained harbor facilities are essential to sustaining maritime

commerce and Hawai'i's visitor economy. SB 2698 SD2 advances that goal while providing regulatory certainty and fairness for the cruise industry.

For these reasons, the Hawaii Harbors Users Group urges your support of SB 2698 SD2 and respectfully asks for its passage.

Mahalo for the opportunity to provide testimony on this important measure.

Testimony of Matson Navigation Company, Inc.
Support of SB2698, SD2
Before the Committee on Transportation
March 17, 2026

Dear Chair Kila, Vice Chair Miyake, and Members of the Committee:

Matson Navigation Company, Inc. supports SB2698, SD2 which establishes a passenger fee on cruise ships docking in the State's commercial harbors and requires that fees collected be used solely for port facility and harbor capital improvement projects.

As an island state, Hawaii is very dependent upon our commercial harbors to ensure the continued and unimpeded flow of cargo in and out of our State. It is estimated that over 90 percent Hawaii's imported goods pass through our commercial harbors, including consumer goods, motor vehicles, construction materials, and fuel. Given the critical role of our commercial harbors, it is imperative that the State support dependable and efficient cargo transportation and handling to service our residents and businesses. This measure will provide additional revenues for much-needed harbor improvements.

Thank you for considering our testimony in support.



**TESTIMONY OF TINA YAMAKI, MANAGING DIRECTOR
HAWAII TRANSPORTATION ASSOCIATION
MARCH 17, 2026
SB 2698 SD2 RELATING TO TRANSPORTATION.**

Aloha Chair Kila and members of the House Committee on Transportation. I am Tina Yamaki, Managing Director of the Hawaii Transportation Association and I appreciate this opportunity to testify.

The Hawaii Transportation Association (HTA Hawaii) was founded in 1938 and incorporated in 1963, and is a private, non-profit trade organization dedicated to the service and assistance to the commercial ground transportation industry in the State of Hawaii. Our members include family owned small and medium sized businesses, independent owner operators, and national motor carriers range from delivery services to passenger carriers - as well as allied industry partners.

HTA Hawaii understands the intent of SB 2698 SD2. This measure 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; and is effective 7/1/2050.

While the per-passenger head fee is still a form of taxation, it is more modest and equitable than the current tax structure. It represents a lower burden than the existing Transient Accommodations Tax applied to cruise ship passengers, while still ensuring that cruise ship activity contributes to the costs it imposes on the State. By aligning the fee with actual passenger counts, the bill creates a more proportionate and transparent method of assessment.

Revenue generated through the passenger fee can be used to support harbor maintenance, environmental mitigation, and infrastructure improvements necessary to address the environmental impacts associated with cruise ship operations. In this way, the fee helps protect Hawai'i's natural resources while supporting sustainable tourism practices.

In addition, the bill repeals the existing law imposing the Transient Accommodations Tax on cruise ships, effectively retroactive to January 1, 2026. This repeal cleans up statutory language enacted last year and resolves confusion caused by applying a tax structure designed for lodging accommodations to cruise ship passengers. Replacing that approach with a clearly defined per-passenger fee improves clarity and administrative efficiency.

It is important to strike a careful balance when considering the imposition or increase of any fee or tax. While revenue generation may support important public purposes, excessive or disproportionate charges risk creating unintended economic consequences. Hawai'i's visitor industry operates within a highly competitive global marketplace, where travelers are price-sensitive and have numerous alternative destinations. If fees or taxes are set too high, they may discourage visitors from choosing Hawai'i, thereby reducing overall visitor spending and negatively impacting local businesses, employment, and state revenues.

Overall, this measure reflects a more balanced and fair policy approach that better aligns fees with actual impacts while providing the State with appropriate resources to manage cruise ship activity.

Mahalo for this opportunity to testify.



Care for 'Āina Now Coalition

March 17, 2026

Hawai'i State Legislature
House Committee on Transportation

Re: Testimony with comments on SB 2698 SD2, Relating to Transportation

Aloha Chair Kila, Vice Chair Miyake, and esteemed members of the committee,

On behalf of our coalition's leadership committee, we are writing to provide comments on SB 2698 SD2, relating to transportation. This bill requires the Department of Transportation to impose a per-passenger head fee on cruise ships docking at Hawai'i's commercial harbors, creates a dedicated Cruise Ship Special Fund, and repeals the Transient Accommodations Tax on cruise ships.

The Care for 'Āina Now Coalition strongly supports Hawai'i's broader efforts to ensure that visitors meaningfully contribute to the stewardship of our natural and cultural resources through the State's Green Fee framework. Our coalition has consistently advocated for a comprehensive approach that asks all sectors of the tourism industry to share responsibility for protecting the ecosystems, infrastructure, and communities that make Hawai'i such a special place.

From that perspective, we offer these comments to encourage alignment between SB 2698 SD2 and the broader Green Fee approach. We are concerned that removing cruise ships from the Transient Accommodations Tax without clear integration into the statewide Green Fee structure could create inconsistencies across the visitor economy. We respectfully suggest that any alternative mechanism ensure cruise visitors are contributing on equal footing with other travelers and that revenues are directed toward the same core priorities that the Legislature has identified for Green Fee investments.

We also encourage clarity regarding how any new revenues would be deployed, including transparency, accountability, and reinvestment in the port communities and natural resources most affected by cruise activity. Ensuring consistency across the tourism sector will help maintain public trust and advance Hawai'i's long-term sustainability goals.

Mahalo for the opportunity to provide comments on this measure.

Care for 'Āina Now Coalition Leadership Committee



NORWEGIAN CRUISE LINE
HOLDINGS LTD.

Testimony for SB 2698 SD2, Relating to Transportation

Hearing Scheduled for March 17, 2026
Committee on Transportation

Aloha Chair Kila, Vice Chair Miyake, and Committee Members,

Norwegian Cruise Line Holding Ltd strongly **supports** SB 2698 SD2, relating to transportation.

As the only cruise company operating a U.S. flagged, year-round cruise ship in Hawaii – the Pride of America – Norwegian Cruise Line has been a committed partner to the state since the early 2000s. This home-ported ship consistently generates substantial positive economic impact, benefiting not only visitors but the broader maritime industry. These benefits reach a wide array of stakeholders, including airports, hotels, local provisions, stevedoring, security personnel, tugboat operators, ground-handlers, and tour operators. In addition, its operations generate significant tax revenue for the State. Beyond the year-round ship, several foreign-flag vessels from the Norwegian, Regent Seven Seas and Oceania brands visit the Hawaiian islands seasonally, collectively contributing to the vibrancy and sustainability of the visitor industry. In 2024 alone, the cruise industry generated approximately \$1 Billion in induced economic benefits.

This bill seeks to revise and replace the transient accommodation tax language for cruise ships that was enacted during the 2025 legislative season. The late-stage amendments, which became Act 96, are currently being challenged as a violation of the Tonnage Clause of the United States Constitution. The Tonnage Clause prohibits States from imposing any tax or fees that acts as a charge for the privilege of entering in, staying in, or conducting trade in a port without congressional consent.

SB 2698 SD2 aims to address this constitutional issue by replacing the challenged tax with a per passenger fee, the proceeds of which will be deposited into a cruise ship special fund. Importantly, these collections will be exclusively allocated for harbor and port facility capital improvements, thereby aligning the fee with requirements of the Tonnage Clause. The proposed fee will be incorporated into Section 2, Chapter 266 of the Hawaii Revised Statutes, alongside existing passenger fees, dockage, port entry and wharfage which will remain unchanged.

Norwegian Cruise Line Holdings Ltd. is dedicated to being responsible stewards of the destinations we visit. Transitioning to a per-passenger fee that is directly reinvested into improving Hawaii's harbors and maritime infrastructure will serve to strengthen Hawaii's critical harbor systems benefiting all maritime users as well as local residents. We believe that the proposed fee is fair and reasonable when viewed in the context of the range of taxes and fees already paid by cruise passengers.

For these reasons, we respectfully urge the committee to advance SB 2698 SD2 to ensure a sustainable, thriving future for Hawaii's maritime industry and the communities it supports.

Aloha Chair Kila, Vice Chair Miyake and Committee Members:

Thank you for the opportunity to testify in **strong support** of SB 2698 SD2.

For nearly twenty years, Kilohana has been fortunate to welcome cruise guests through shore excursions, and the benefits of cruise visitation extend far beyond our gates. Eleven on-site shops, many featuring Kaua'i, and Hawai'i-made products depend on this revenue stream, as do our agricultural partners. The Kauai Plantation Railway, The Plantation House Restaurant by Gaylord's, Luau Kalamaku, and Kauai Rum Safaris also rely heavily on cruise visitors to sustain year-round operations.

Kilohana believes this measure strikes a fair and reasonable balance among stakeholders. The cruise ship industry plays a vital role in Hawai'i's economy, and any additional fee must be evaluated in the context of the significant fees the industry already pays, including passenger, dockage, port entry, and wharfage fees, to ensure overall reasonableness.

We need to ensure the fee is not unduly burdensome and will help ensure that the cruise industry can continue to operate and invest in Hawai'i.

It is important to note that one cruise line alone hosts a private luau at Kilohana 52 weeks a year, averaging between 650 and 725 attendees weekly. This represents approximately \$6 million in annual gross revenue, much of which flows directly into our local community. This activity supports more than 100 employees, including musicians, dancers, food and beverage staff, bus drivers, dispatchers, and numerous local suppliers—from farms to beverage distributors. In total, more than 300 Kilohana employees and tenants directly benefit from cruise-related activity.

Luau Kalamaku alone generates an estimated \$18 million annually, including approximately \$859,000 in General Excise Tax revenue, more than \$1 million paid to local food vendors, and over \$700,000 to liquor and beverage purveyors.

Additional cruise ships visiting Kaua'i generate hundreds of thousands of dollars more in shore excursion revenue. Without cruise visitation, we could not sustain the three luaus per week that allow our employees and entertainers to work year-round.

Thank you for the opportunity to testify in strong support of SB 2698 SD2.

Sincerely,
Fred Atkins
Managing Partner
Kilohana Plantation
Mobile: 1-808-652-0757
Email: fred@kilohanakauai.com

McCabe, Hamilton & Renny Co., Ltd.
“THE STEVEDORES”

Testimony for SB 2698 SD2, Relating to Transportation
Hearing Scheduled for March 17, 2026
House Committee on Transportation

McCabe Hamilton & Renny Co., Ltd. **supports** SB 2698 SD2, relating to transportation.

Aloha Chair Kila, Vice Chair Miyake and Committee Members,

I write in strong support of Senate Bill 2698 on behalf of McCabe, Hamilton & Renny Co., Ltd. For 125 years, McCabe has served Hawai'i's harbors. With more than 400 employees, we remain a cornerstone of the State's port operations.

Cruise calls require a broad range of stevedoring services — including mooring and gangway operations, vessel provisioning, and passenger logistics — performed largely by skilled ILWU laborers who are local residents. These workers rely on cruise activity to support their families and play a vital role in cargo operations throughout Hawai'i. The economic activity generated by cruise vessels sustains not only McCabe, but also the broader island workforce. In addition, the benefits extend to a wide range of stakeholders, including airports, hotels, local suppliers, stevedoring companies, security personnel, tugboat operators, ground handlers, and tour operators.

The proposed fee would be incorporated alongside existing passenger fees, dockage, port entry, and wharfage, all of which would remain unchanged. A per-passenger fee more appropriately distinguishes cruise room revenue from hotel revenue and directly connects visitors to funding for environmental and harbor improvement projects.

We respectfully urge the Committee to advance SB 2698 SD2 to help ensure a sustainable and thriving future for Hawai'i's maritime industry and the communities it supports.

Sincerely,



Matt Guard

President, McCabe Hamilton & Renny Co., Ltd.

TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: TRANSIENT ACCOMMODATIONS, MISCELLANEOUS; Change TAT Extension to Cruise Ships to a Passenger Head Fee

BILL NUMBER: SB 2698 SD 2

INTRODUCED BY: WAM JDC

EXECUTIVE SUMMARY: 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. Effective 7/1/2050. (SD2)

SYNOPSIS: Adds two new sections to chapter 266, HRS.

The first would establish a passenger head fee of \$10 per passenger to be collected from any cruise ship that docks in any commercial harbor in the State.

The second would establish a special fund into which the fee would be deposited. Moneys in the cruise ship special fund shall be used solely for port facility and capital improvement projects to support cruise ship operations.

Amends sections 37-79, 237D-1, and 237D-2, HRS, to repeal the 2025 amendments extending the transient accommodations tax to cruise ships.

EFFECTIVE DATE: The tax sections in the bill are retroactive to January 1, 2026. The new tax is effective July 1, 2026.

STAFF COMMENTS: We note that the cruise ship industry has filed suit in federal court against the State seeking to enjoin enforcement of the transient accommodation tax extension to cruise ships as a violation of the Tonnage Clause in the U.S. Constitution and the Rivers and Harbors Act, 33 U.S.C. § 5.

The U.S. Supreme Court has read the language of the Tonnage Clause “as forbidding a State to ‘do that indirectly which she is forbidden . . . to do directly.’ *Passenger Cases*, 7 How. 283, 458 (1849). Thus, the Court has said that the Clause, which literally forbids a State to ‘levy a duty or tax . . . graduated on the tonnage,’ must also forbid a State to ‘effect the same purpose by merely changing the ratio, and graduating it on the number of masts, or of mariners, the size and power of the steam-engine, **or the number of passengers which she carries.**’ *Id.*, at 458–459.” *Polar Tankers, Inc. v. City of Valdez*, 557 U.S. 1, 8 (2009) (bold type added).

We understand that the Harbors Division of DOT now imposes port entry, dockage, and passenger user fees under chapter 266, HRS, and the administrative rules thereunder. Apparently, those fees have never been challenged. And section 266-B(b) proposed requires that moneys collected by the per-head charge be used solely for port facility and harbor capital improvement projects to support cruise ship operations. Care must be taken to ensure that the fund is restricted in use and does not get deployed to fund statewide green projects like the rest of the “green fee” authorized in 2025; if it does, or if the fees assessed are not reasonably proportionate to the benefits received, this fee may be characterized as a tax (see *Hawaii Insurers Council v. Lingle*, 120 Haw. 51, 201 P.3d 564, (2008); *State v. Medeiros*, 89 Haw. 361, 973 P.2d 736 (1999)), and, as such, may be vulnerable to Tonnage Clause challenge.

We note that the Harbor Special Fund is subject to a central services assessment of 5% annually under section 36-29, HRS. It is unclear whether this assessment would violate the requirement in proposed section 266-B(b) described above, and whether, if the central services assessment continues, it would constitute a non-harbor use of the money that would cause the per-passenger fee here to be a tax that would then be vulnerable to Tonnage Clause challenge.

Digested: 3/16/2026

HOUSE COMMITTEE ON TRANSPORTATION
Testimony of Hawaii Pilots Association
In Support of SB2698, SD2
March 17, 2026

Dear Chair Kila, Vice Chair Miyake and Committee Members:

Hawaii Pilots Association supports SB2698, SD2 which enacts a per passenger charge for cruise ships and mandates that these fees be used for harbor infrastructure improvements.

Lack of funding is one reason why much needed harbor improvements are delayed or cancelled. This bill ensures that these fees collected from cruise ships will be dedicated to paying for new harbor infrastructure. Such harbor improvements will help to increase port safety and efficiency for cargo transportation and handling as well as for passenger terminal operations.

Thank you for the opportunity to provide this testimony.



MAUI

CHAMBER OF COMMERCE

VOICE OF BUSINESS

**HEARING BEFORE THE HOUSE COMMITTEE ON TRANSPORTATION
HAWAII STATE CAPITOL, HOUSE CONFERENCE ROOM 430
TUESDAY, MARCH 17, 2026 AT 9:30 A.M.**

To The Honorable Representative Darius K. Kila, Chair
The Honorable Representative Tyson K. Miyake, Vice Chair
Members of the Committee on Transportation

COMMENTS ON SB2698 SD2 RELATING TO TRANSPORTATION

The Maui Chamber of Commerce appreciates the opportunity to provide comments on SB2698, which would require the Department of Transportation to assess a per-passenger head fee on cruise ship passengers docking in the State's commercial harbors.

The Chamber agrees that a per-passenger head fee is a more appropriate and transparent approach than the percentage-based structure established under Act 096 for ensuring that cruise ships contribute to our systems.

At the same time, we encourage careful consideration of the current economic climate. Hawaii, and Maui in particular, is experiencing a softer visitor market and ongoing economic challenges. Cruise ship passengers provide important support to local businesses by visiting activities, retail shops, restaurants, and other small businesses that are still recovering, especially after the 2023 wildfires.

Given these circumstances, we respectfully urge that any per-passenger fee be set at a reasonable level and that the potential impacts on local businesses and visitor spending be carefully evaluated when establishing the rate structure.

The Maui Chamber of Commerce appreciates the Legislature's efforts to create a fair and sustainable funding approach and looks forward to continued discussion to ensure policies support both infrastructure needs and Maui's economic recovery.

Sincerely,

Pamela Tumpap
President

To advance and promote a healthy economic environment for business, advocating for a responsive government and quality education, while preserving Maui's unique community characteristics.

SB-2698-SD-2

Submitted on: 3/14/2026 11:45:20 AM

Testimony for TRN on 3/17/2026 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Aaron Paulk	Hawaii Tour Consultants	Support	Written Testimony Only

Comments:

Bill References: SB2698 SD2

To: House Committee on Transportation

Aloha Chair Kila, Vice Chair Miyake and Committee Members

My name is Aaron Paulk, and I am a proud small business owner who has operated across all the Hawaiian Islands for over ten years. Our company supports hundreds of local jobs that are solely dependent on a consistent and sustainable cruise industry presence.

Over the past decade, we've built our business on the foundation of Hawai'i's circular economy—intentionally keeping our operations, partnerships, and reinvestments within our islands. The cruise lines have been instrumental in this success, as they have made strong efforts to work directly with small, local businesses like ours. Together, we've been able to bring economic opportunities to communities not typically visited by the cruise industry, helping to spread the benefits of tourism more evenly throughout the state.

In recent years, we've also seen a positive shift as cruise partners have begun supporting initiatives by local partners who support local nonprofits and community organizations—especially those focused on sustainability initiatives and supporting individuals with disabilities. These partnerships are making a real difference and show that the cruise industry is committed to being a responsible and valued member of our community.

I believe that SB2698 and HB2195 represent fair, balanced, and forward-thinking measures that will ensure our continued ability to grow together. These bills allow for legal, transparent contributions—through a reasonable head tax—that will fund state and HDOT initiatives while sustaining Hawai'i's unique environment and way of life.

Our small businesses, the cruise lines, and the State of Hawai'i are all striving toward the same vision: a safe, sustainable, and thriving future for our islands, our people, and our keiki. These bills are a great step forward in showing how we can truly *hui together*—how collaboration between industry, community, and government can create long-term prosperity for all.

Mahalo for your time and consideration, and for your continued support of Hawai'i's small business community and the sustainable future of our islands.

Sincerely,
Aaron Paulk
Hawai'i Tour Consultants

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