

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION

Ka 'Oihana 'Auhau

P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1530
FAX NO: (808) 587-1584

June 9, 2025

GARY S. SUGANUMA
DIRECTOR OF TAXATION

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

DEPARTMENT OF TAXATION ANNOUNCEMENT NO. 2025-03

RE: Transient Accommodations Tax Law Changes from 2025 Legislative Session

This Announcement summarizes the tax provisions in Act 96, Session Laws of Hawaii 2025 ("Act 96"), and addresses the timing of transient accommodations tax (TAT) increases, and the imposition of TAT on cruise fares. Act 96, effective January 1, 2026, increases TAT by .75% from 10.25% to 11.00% on the gross rental or gross rental proceeds derived from furnishing transient accommodations and resort time share vacation units. Beginning on January 1, 2026, Act 96 also assesses the TAT on cruise ship operators' gross rental proceeds derived from cruise fares, prorated according to the ratio of the ship's days docked in State ports to the duration of the total voyage.

Determining the proper TAT for gross rental or gross rental proceeds derived from furnishing transient accommodations (including resort time share vacation units) and cruise fares depends on the taxpayer's accounting method and when the gross rental or gross rental proceeds are actually or constructively received.

Under the cash basis accounting method, gross rental or gross rental proceeds derived from transient accommodations will be subject to the 10.25% TAT rate if actually or constructively received before January 1, 2026. However, gross rental or gross rental proceeds will be subject to the 11.00% TAT rate if actually or constructively received on or after January 1, 2026. For cruise ship operators using cash basis accounting, gross rental proceeds derived from cruise fares will not be subject to the TAT if actually or constructively received before January 1, 2026.

Under the accrual basis accounting method, gross rental or gross rental proceeds derived from transient accommodations will be subject to the 10.25% TAT rate if the right to receive such income is fixed under the "all events" test before January 1, 2026, but will be subject to the 11.00% TAT rate if the right to receive such income is fixed under the "all events" test on or after January 1, 2026. For cruise ship operators using accrual basis accounting, gross rental proceeds derived from cruise fares will not be subject to the TAT if the right to receive income is fixed under the "all events" test before January 1, 2026.

"All events" that fix the right to receive income occur when: (1) the required performance takes place, (2) payment is due, or (3) payment is made, whichever happens first.

The taxpayer's accounting method governs when gross rental or gross rental proceeds will be taxable. Accordingly, any income recognized under the taxpayer's method of accounting

after January 1, 2026, will be subject to the 11.00% TAT rate. The same analysis applies to the fair market rental value of resort time share vacation units. Pursuant to section 237D-1, Hawaii Revised Statutes, all taxpayers are presumed to use the cash basis method of accounting unless the taxpayer proves, to the satisfaction of the Department of Taxation, that the taxpayer is an accrual basis taxpayer, as evidenced by their accounting records.

Rate increases are applicable regardless of whether a taxpayer “passes on” the TAT liability to a transient customer. Taxpayers passing on TAT liabilities should do so in a manner consistent with the taxpayer’s accounting method.

If you have any questions about this Tax Announcement, please contact the Department of Taxation’s Rules Office at 808-587-1530, or via email at Tax.Rules.Office@hawaii.gov.

GARY S. SUGANUMA
Director of Taxation