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TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No. 577, H.D. 1, Relating to Taxation

BEFORE THE:

House Committee on Economic Development & Technology

DATE: Friday, February 7, 2025

TIME: 10:15 a.m.

LOCATION: State Capitol, Room 423

Chair Ilagan, Vice-Chair Hussey, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding H.B. 577, H.D. 1, for your consideration.

H.B. 577, H.D. 1 establishes a new tax credit under chapter 235 for individual or corporate employers located in any county in the State that purchase public transportation fares or passes for their employee(s). The credit will be equal to the amount spent by the employer during the taxable year and applied against the company's income tax liability. If the credit exceeds the taxable year liability, the excess can be carried forward to future tax years, but no credit is allowed to be carried forward for a taxable year beginning after December 31, 2030.

Employers must claim the credit by the end of the twelfth month following the close of the taxable year, and no other income tax credit or deduction can be made based on the same expenses claimed under this new credit. The director of taxation is required to submit reports to the legislature about the credit's usage prior to the 2027, 2028, 2029, and 2030 legislative sessions. The bill defines "public transportation" as mass transit programs that are open to the general public and operated or contracted by the State or a county.

The bill has a defective effective date of July 1, 3000, and would be applicable for taxable years beginning after December 31, 2025, but will not be available for taxable years beginning after December 31, 2029.

DOTAX notes that tax credits offered at 100 percent of expenditures create incentives for abuse and waste. Thus, DOTAX recommends this new credit be offered at an amount less than 100 percent by amending proposed subsection (c) as follows:

(c) The amount of the tax credit shall be equal to per cent of the amount spent by the taxpayer during the taxable year to purchase fares or passes for the employer's employees to use public transportation.

DOTAX further notes that it can administer this measure for taxable years beginning after December 31, 2025.

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

HB-577-HD-1

Submitted on: 2/5/2025 9:47:39 AM

Testimony for ECD on 2/7/2025 10:15:00 AM

Submitted By	Organization	Testifier Position	Testify
Michelle K.	Individual	Support	Written Testimony Only

Comments:

Aloha Committee members,

I am strongly supportive of this bill if the outcome is fewer cars on the road. Any incentive to get workers out of their cars and onto public transportation will help alleviate traffic for everyone else, reduce car crashes, and improve the air quality. Although this bill will indirectly help, it will be even better to offer free public transportation to every person. Thank you for your time and consideration!

Mahalo,
Michelle



**TESTIMONY OF TINA YAMAKI
PRESIDENT
RETAIL MERCHANTS OF HAWAII
FEBRUARY 7, 2025
HB 577 HD1 RELATING TO TAXATION**

Good morning, Chair Ilagan, and members of the House Committee on Economic Development & Technology. I am Tina Yamaki, President of the Retail Merchants of Hawaii and I appreciate this opportunity to testify.

The Retail Merchants of Hawaii was founded in 1901 and is a statewide, not for profit trade organization committed to supporting the growth and development of the retail industry in Hawaii. Our membership includes small mom & pop stores, large box stores, resellers, luxury retail, department stores, shopping malls, on-line sellers, local, national, and international retailers, chains, and everyone in between.

We support HB 577 HD1. This measure authorizes tax credit for businesses that pay the public transportation costs of employees; requires reports to the Legislature; applies for taxable years beginning after 12/31/2025 but not beginning after 12/31/2029 and is effective 7/1/3000.

This measure offers a win-win solution that benefits employers, employees, and the community at large. By incentivizing businesses to subsidize public transportation costs, this tax credit would encourage the use of public transportation by making public transportation more accessible to employees, reduces traffic congestion, greenhouse gas emissions, and wear on our infrastructure. As a state striving for sustainability, this aligns with the environmental goals.

It would also alleviate financial strain on employees as the cost of commuting is a significant burden for many workers, particularly in Hawaii, where the cost of living is among the highest in the nation. Subsidizing transit costs provides direct financial relief, helping employees save for other necessities like housing and food.

In addition, it would support workforce retention and recruitment by offering public transportation benefits which would make businesses more competitive in attracting and retaining talent. With many employees prioritizing cost-effective and sustainable commuting options, this credit supports employers in providing meaningful benefits.

Furthermore, it would boost economic productivity by reducing commuting costs and lead to less stress and greater punctuality, enhancing overall employee productivity. Furthermore, increasing ridership strengthens our public transportation system's viability.

Tax credit is a thoughtful policy that addresses critical challenges our community faces - traffic, sustainability, and affordability - while supporting businesses committed to their employees' well-being.

I urge you to pass this measure to foster a healthier, more sustainable, and economically vibrant Hawaii.

Mahalo again for this opportunity to testify.



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SUBJECT: INCOME, Tax Credit for Employers Paying Public Transportation Costs

BILL NUMBER: HB 577 HD 1

INTRODUCED BY: House Committee on Transportation

EXECUTIVE SUMMARY: Authorizes a tax credit for businesses that pay the public transportation costs of employees. Applies for taxable years beginning after 12/31/2025 but not beginning after 12/31/2029. Requires reports to the Legislature.

SYNOPSIS: Adds a new section to chapter 235, HRS, to provide for a public transportation subsidization tax credit. The credit amount is the amount spent to purchase fares or passes for the taxpayer's employees to use public transportation.

The credit is nonrefundable but may be carried forward until exhausted; provided that no credit carried forward shall be used after December 31, 2030.

No other tax credit or deduction shall be claimed under this chapter for the expenses used to claim this credit.

All claims for the tax credit under this section, including amended claims, shall be filed on or before the end of the twelfth month following the close of the taxable year for which the tax credit may be claimed. Failure to meet the filing requirements of this subsection shall constitute a waiver of the right to claim the tax credit.

Defines "public transportation" means any mass transportation program that is:

- (1) Open to the general public;
- (2) Operated or contracted by the State or a county

EFFECTIVE DATE: July 1, 3000, shall apply to taxable years beginning after December 31, 2025.

STAFF COMMENTS: Utilizing tax credits to drive social policy in this manner is of a questionable benefit relative to the cost for all taxpayers. A direct appropriation of grant funding to employers or public transportation providers would be more accountable and transparent. At least we would know the amount of the appropriation, while the fiscal impact of the credit would be a great big question mark.

Furthermore, the additional credit would require changes to tax forms and instructions, reprogramming, staff training, and other costs that could be massive in amount compared to the benefit expected to accrue because of the creditable activity.

Digested: 2/5/2025

HB-577-HD-1

Submitted on: 2/6/2025 3:26:04 PM

Testimony for ECD on 2/7/2025 10:15:00 AM

Submitted By	Organization	Testifier Position	Testify
Anthony Chang	Individual	Support	Written Testimony Only

Comments:

Aloha Chair Illagan, Vice-Chair Hussey and members of the House Committee on Economic Development and Technology

Besides helping reduce traffic, pollution, and allowing people to save time by multi-tasking while riding transit...

As a safe streets advocate I support making transit more accessible as studies have shown adding transit to a route make streets safer by taking cars off the road. Transit is by and car the safest mode of transporation, as no one has ever died riding transit in Hawaii, despite never having seatbelts. The last time a Honolulu City bus killed a pedestrian was in 2016, a bicyclist in 2006. Studies show that transit has 10 times fewer collisions than private vehilcles.

My sister, Emelia Hung, died trying to cross the street in 2013. I often wish she rode transit the night she was struck.

Please pass this bill. If you have any questions feel free to contact me: anthonybchang@live.com, (808) 256-8487.

Transportation and Land-Use Planner
Anthony Chang