

Dear Chairs Lee and Wakai, Vice Chairs Inouye and Chang, and Committees Members,

My name is Kiana Otsuka and I am a Transportation Planner whose expertise is in walk, roll, bike, and transit. I am writing in **support of SB970 and offer amendments to improve the bill**, which would authorize a tax credit for businesses that pay the public transportation costs of employees, applies to counties having populations of 700,000 or more, applies for taxable years beginning after 12/31/2024 but not beginning after 12/31/2029, and requires reports to the Legislature.

**I'd like to recommend that the bill include language to assure that the tax credit for businesses also be applied when employers pay for the bikeshare costs of employees.**

I've been a long-time transit rider, and have either paid for my transit fare via a pre-tax option that my employer offers, or have paid out of pocket. Last year, I spent more than \$450 on transit fares to get to/from work. This is a huge expense for me. On the other hand, I could choose to drive my car to downtown Honolulu, and pay \$25/month for parking at a state lot. Driving is much more convenient and much quicker for me (1 hour on two different buses vs. 15-20 minutes to drive), but I choose to ride transit because it's important to me to reduce my greenhouse gas emissions and not contribute further to traffic.

I also use the Biki bikeshare on my own dime, to transport myself to/from meetings to save time, so I can efficiently use my work day to complete my tasks. Last year, I spent \$220 on my bikeshare membership, which is also a huge expense to me.

We should be financially rewarding people who choose commute modes that are less impactful to our traffic congestion and environment. This is why I feel it's important to pass this bill, incorporating amendments to include those who use bikeshare to commute to work.

Mahalo,

Kiana Otsuka

# TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

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

BILL NUMBER: HB 577, SB 970

INTRODUCED BY: HOLT, GARCIA, LAMOSAO, MARTEN, Muraoka

EXECUTIVE SUMMARY: Authorizes a tax credit for businesses that pay the public transportation costs of employees. Applies to counties having populations of 700,000 or more. Applies for taxable years beginning after 12/31/2024 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. To qualify for the tax credit, the taxpayer shall be an employer having a place of business in any county in the State having a population of 700,000 or more (namely, Oahu only). 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.

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; and
- (3) Operated within a county having a population of 700,000 or more.

EFFECTIVE DATE: Taxable years beginning after December 31, 2024.

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: 1/24/2025



**TESTIMONY OF TINA YAMAKI  
PRESIDENT  
RETAIL MERCHANTS OF HAWAII  
FEBRUARY 11, 2025  
SB 970 RELATING TO TAXATION**

Aloha, Chair Lee and Chair Wakai and members of the Senate Committee on Transportation and Culture & Arts and the Senate Committee on Energy and Intergovernmental Affairs. 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 SB 970. This measure authorizes a tax credit for businesses that pay the public transportation costs of employees; applies to counties having populations of 700,000 or more; applies for taxable years beginning after 12/31/2024 but not beginning after 12/31/2029; and requires reports to the Legislature.

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 lead to less stress and greater punctuality, enhancing overall employee productivity. Furthermore, increasing ridership strengthens our public transportation system's viability.

The 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.

**SB-970**

Submitted on: 2/6/2025 3:29:32 PM

Testimony for TCA on 2/11/2025 3:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Anthony Chang	Individual	Support	Written Testimony Only

Comments:

Aloha Chairs Lee and Wakai , Vice-Chairs Inoue and Chang, and members of the Senate Committees on Transportation and Culture of the Arts, and Energy and Intergovernmental Affairs.

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 transportation, 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 vehicles.

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

Dear Chairs Lee and Wakai, Vice Chairs Inouye and Chang, and Committees Members,

My name is Kiana Otsuka and I am a Transportation Planner whose expertise is in walk, roll, bike, and transit. I am writing in **support of SB970 and offer amendments to improve the bill**, which would authorize a tax credit for businesses that pay the public transportation costs of employees, applies to counties having populations of 700,000 or more, applies for taxable years beginning after 12/31/2024 but not beginning after 12/31/2029, and requires reports to the Legislature.

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Mahalo,

Kiana Otsuka

JOSH GREEN M.D.  
GOVERNOR

SYLVIA LUKE  
LT. GOVERNOR



STATE OF HAWAII  
**DEPARTMENT OF TAXATION**  
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GARY S. SUGANUMA  
DIRECTOR

KRISTEN M.R. SAKAMOTO  
DEPUTY DIRECTOR



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

**TESTIMONY ON THE FOLLOWING MEASURE:**

S.B. No. 970, Relating to Taxation

**BEFORE THE:**

Senate Committees on Transportation and Culture and the Arts, and Energy and Intergovernmental Affairs

**DATE:** Tuesday, February 11, 2025

**TIME:** 3:00 p.m.

**LOCATION:** State Capitol, Room 224

Chairs Lee and Wakai, Vice-Chairs Inouye and Chang, and Members of the Committees:

The Department of Taxation (DOTAX) offers the following comments regarding S.B. 970 for your consideration.

S.B. 970 establishes a new tax credit under chapter 235 for individual or corporate employers located in counties with populations of 700,000 or more (limiting the credit to Honolulu County/Oahu) that purchase public transportation fares or passes for their employee. 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.

Employers must claim the credit by the end of the twelfth month following the close of the taxable year, and the director of taxation is required to submit reports to the legislature about the credit's usage and impact 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, operated or contracted by the State or county, and located in a county with over 700,000 residents.

The bill is effective upon approval for taxable years beginning after December 31, 2024, but will not be available for taxable years beginning after December 31, 2029.

First, DOTAX notes that tax credits offered at 100 percent of expenditures create incentives for abuse and waste. Thus, DOTAX recommends that this new credit be offered at an amount less than 100 percent.

DOTAX also recommends that unused nonrefundable credits have a sunset date so they cannot be carried forward indefinitely. In general, credits claimed farther away from the year in which they are incurred are difficult to verify and create further incentives for abuse. Specifically, DOTAX recommends that subsection (d) be amended by adding a proviso that reads as follows:

(d) If the tax credit under this section exceeds the taxpayer's income tax liability, the excess of the credit over liability may be used as a credit against the taxpayer's income tax liability in subsequent years until exhausted; provided that no credit carried forward under this subsection shall be used as a credit for a taxable year beginning after December 31, 2030.

Additionally, to prevent taxpayers from claiming a double benefit, DOTAX recommends adding a new subsection that reads as follows:

No other tax credit or deduction shall be claimed under this chapter for the costs used to claim a tax credit under this section for the taxable year.

Further, with respect to the reporting requirements in subsection (g), DOTAX can provide the number and value of the credits claimed, as specified in paragraphs (1) and (2), but would not be able to measure the impact of the credit for non-tax purposes, such as the impact of the credit on the use of public transportation, traffic, or employee retention. Similarly, DOTAX would not be able to make a recommendation on whether the credit should be continued. Accordingly, DOTAX requests that the reporting requirements in subsection (g)(3) and (4) be deleted.

Furthermore, DOTAX requests that if this measure moves forward, the bill be amended to apply to taxable years beginning after December 31, 2025, to allow sufficient time for the necessary form, instruction, and computer system changes for proper implementation.

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