

---

# A BILL FOR AN ACT

RELATING TO SUSTAINABLE AVIATION FUEL TAX CREDIT.

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

1 SECTION 1. The legislature finds that sustainable aviation  
2 fuel is critical to reducing greenhouse gas emissions in the  
3 aviation sector, which is a significant contributor to the  
4 State's carbon footprint. By incentivizing the distribution of  
5 sustainable aviation fuel through a tax credit, the State can  
6 promote cleaner energy alternatives, support economic  
7 development, and advance Hawaii's climate goals.

8 Therefore, the purpose of this Act is to establish a  
9 sustainable aviation fuel tax credit to encourage the production  
10 and distribution of sustainable aviation fuel within the State.

11 SECTION 2. Chapter 235, Hawaii Revised Statutes, is  
12 amended by adding a new section to part VI to be appropriately  
13 designated and to read as follows:

14 **"§235- Sustainable aviation fuel tax credit. (a)**  
15 There shall be allowed to each taxpayer subject to the taxes  
16 imposed by this chapter, a sustainable aviation fuel tax credit  
17 that shall be deducted from the taxpayer's net income tax



1 liability, if any, imposed by this chapter for the taxable year  
2 in which the credit is properly claimed.

3 For each taxpayer distributing sustainable aviation fuel in  
4 the State, the amount of the credit shall be \$1 per gallon of  
5 sustainable aviation fuel sold for distribution in the State;  
6 provided that the tax credit shall only be claimed for  
7 sustainable aviation fuel that meets the lifecycle greenhouse  
8 gas emissions reduction threshold.

9 The credit amount under this subsection shall increase by  
10 two cents for each additional one per cent reduction in carbon  
11 dioxide equivalent emissions beyond the lifecycle greenhouse gas  
12 emissions reduction threshold, not to exceed \$2 for each gallon  
13 of sustainable aviation fuel.

14 (b) In the case of a partnership, S corporation, estate,  
15 or trust, the distribution and share of the sustainable aviation  
16 fuel tax credit shall be determined pursuant to section 704(b)  
17 (with respect to a partner's distributive share) of the Internal  
18 Revenue Code of 1986, as amended. For a fiscal year taxpayer,  
19 the taxpayer shall report the credit in the taxable year in  
20 which the calendar year end is included.



1                   (c) No later than thirty days following the close of the  
2                   calendar year, every taxpayer claiming a credit under this  
3                   section shall complete and file an independent, third-party  
4                   certified statement, at the taxpayer's sole expense, with and in  
5                   the form prescribed by the department of transportation,  
6                   providing the following information:

- 7                   (1) The type and quantity of sustainable aviation fuel  
8                   sold in the State during the previous calendar year;  
9                   (2) The feedstock used to produce the sustainable aviation  
10                   fuel;  
11                   (3) The proposed total amount of credit to which the  
12                   taxpayer is entitled for each calendar year and the  
13                   cumulative amount of the tax credit the taxpayer  
14                   received during the previous calendar year;  
15                   (4) The number of full-time and part-time employees of the  
16                   facility and those employees' states of residency,  
17                   totaled per state;  
18                   (5) The number and location of its sustainable aviation  
19                   fuel production facilities within and outside the  
20                   State;



- 1                   (6) The lifecycle greenhouse gas emissions in kilograms of  
2                   carbon dioxide equivalent per million British thermal  
3                   units for the sustainable aviation fuel; and  
4                   (7) The lifecycle greenhouse gas emissions reported to the  
5                   United States Department of the Treasury if different  
6                   from the emissions reported under paragraph (6).
- 7                   (d) Within thirty calendar days after the due date of the  
8                   statement required under subsection (c), the department of  
9                   transportation shall:
- 10                  (1) Acknowledge, in writing, receipt of the statement; and  
11                  (2) Issue a certificate to the taxpayer reporting the:
- 12                  (A) Amount of sustainable aviation fuel sold for  
13                  distribution in the State;  
14                  (B) Amount of credit that the taxpayer is entitled to  
15                  claim for the previous calendar year, inclusive  
16                  of any carryover amount;  
17                  (C) Amount of credit that the taxpayer is entitled to  
18                  claim for any subsequent calendar year; and  
19                  (D) Cumulative amount of the tax credit during the  
20                  previous calendar year.



1                   (e) The taxpayer shall file the certificate issued under  
2 subsection (d) (2) with the taxpayer's tax return with the  
3 department of taxation. The director of taxation may audit and  
4 adjust the certification to conform to the facts.

5                   (f) The total amount of tax credits allowed under this  
6 section for all eligible taxpayers shall not exceed \$20,000,000  
7 for any calendar year. In the event that the credits claimed  
8 under this section exceed the total credits allowed for all  
9 eligible taxpayers in any given calendar year, the department of  
10 taxation shall allocate the total credits allowed proportionally  
11 to each eligible taxpayer.

12                  To the extent that the limitations of this subsection  
13 reduce the amount of a taxpayer's credit, the amount of the  
14 reduction shall be available to the taxpayer to be used as a  
15 credit in the subsequent calendar year but shall not be carried  
16 over for any calendar year thereafter except as provided in  
17 subsection (h); provided that the carryover credit shall be  
18 subject to the limitations of this subsection.

19                  (g) Notwithstanding any other law to the contrary, the  
20 information collected and compiled by the department of



1 transportation under subsections (c) and (d) shall be available  
2 for public inspection and dissemination pursuant to chapter 92F.

3 (h) If the credit under this section exceeds the  
4 taxpayer's net income tax liability, the excess of the credit  
5 over liability may be used as a credit against the taxpayer's  
6 net income tax liability in subsequent years until exhausted;  
7 provided that no credit may be carried forward after the fifth  
8 taxable year in which the credit was originally claimed. All  
9 claims for a credit under this section shall be properly filed  
10 on or before the end of the twelfth month following the close of  
11 the taxable year for which the credit may be claimed. Failure  
12 to comply with the foregoing provision or to provide the  
13 certified statement required under subsection (c) shall  
14 constitute a waiver of the right to claim the credit.

15 (i) Before the distribution of any sustainable aviation  
16 fuel for the calendar year, the taxpayer shall provide written  
17 notice to the department of transportation and department of  
18 taxation of the taxpayer's intention to begin distribution of  
19 sustainable aviation fuel. The written notice shall include  
20 information on the taxpayer, facility location, facility  
21 capacity, anticipated distribution start date, and the



1 taxpayer's contact information. Notwithstanding any other law  
2 to the contrary, the written notice required under this  
3 subsection, including taxpayer and facility information, shall  
4 be made available for public inspection and dissemination  
5 pursuant to chapter 92F.

6 (j) The taxpayer shall provide written notice to the  
7 director of transportation and director of taxation within  
8 thirty days following the start of the distribution of  
9 sustainable aviation fuel. The notice shall include the  
10 distribution start date and expected volume of sustainable  
11 aviation fuel for the next twelve months. Notwithstanding any  
12 other law to the contrary, the written notice required by this  
13 subsection shall be made available for public inspection and  
14 dissemination pursuant to chapter 92F.

15 (k) Following each calendar year in which a credit under  
16 this section has been claimed, the director of transportation  
17 shall submit a written report to the governor and legislature  
18 regarding the distribution of sustainable aviation fuel in the  
19 State. The report shall include:



1       (1) The number and location of sustainable aviation fuel  
2       facilities in the State and outside the State that  
3       have claimed a credit under this section;

4       (2) The total number of gallons of sustainable aviation  
5       fuel sold for distribution in the State during the  
6       previous calendar year; and

7       (3) The projected number of gallons of sustainable  
8       aviation fuel for the succeeding year.

9       (1) The director of taxation:

10      (1) Shall prepare any forms that may be necessary to claim  
11      a tax credit under this section;

12      (2) May require the taxpayer to furnish reasonable  
13      information to ascertain the validity of the claim for  
14      the tax credit made under this section; and

15      (3) May adopt rules pursuant to chapter 91 necessary to  
16      implement this section.

17      (m) This section shall not apply to taxable years  
18      beginning after December 31, 2035.

19      (n) As used in this section:

20      "Lifecycle greenhouse gas emissions" means the aggregate  
21      attributional core lifecycle greenhouse gas emissions values



1 using the most recent version of the United States Department of  
2 Energy's Argonne National Laboratory's greenhouse gases,  
3 regulated emissions, and energy use in technologies (GREET)  
4 model, including agricultural practices and carbon capture and  
5 sequestration.

6 "Lifecycle greenhouse gas emissions reduction threshold"  
7 means a reduction in lifecycle greenhouse gas emissions of fifty  
8 per cent compared to the fossil fuel for which the renewable  
9 fuel is most likely to replace.

10 "Sustainable aviation fuel" means liquid fuel that:

11 (1) Consists of synthesized hydrocarbons and meets the  
12 requirements of the American Society for Testing and  
13 Materials International Standard D7566 or D1655; and  
14 (2) Is derived from biomass resources, waste streams,  
15 renewable or zero carbon energy sources, or gaseous  
16 carbon oxides."

17 SECTION 3. New statutory material is underscored.

18 SECTION 4. This Act shall take effect upon its approval  
19 and shall apply to taxable years beginning after December 31,  
20 2025; provided that section 2 of this Act shall be repealed on  
21 December 31, 2035.



H.B. NO. 1694

1

INTRODUCED BY:



JAN 20 2026



# H.B. NO. 1694

**Report Title:**

Sustainable Aviation Fuel Tax Credit

**Description:**

Establishes a tax credit for sustainable aviation fuel distribution in Hawaii to reduce greenhouse gas emissions. Provides \$1 per gallon, increasing by 2 cents per additional 1 per cent emissions reduction, up to \$2 per gallon. Caps total credits at \$20,000,000 annually, with carryover provisions. Requires reporting to ensure transparency and compliance. Applies to taxable years after December 31, 2025, and sunsets on December 31, 2035.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

