
A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 SECTION 1. The legislature finds that there is a dire need
2 for transportation management in Hawaii. Between 2000 and 2025,
3 vehicle travel increased twenty-two per cent in the State.
4 Further, commuters from the leeward side of Oahu face
5 significantly longer commutes, with those driving from Ewa
6 averaging about forty minutes one way. Other states have
7 introduced legislation to address transportation demand
8 management through carpooling incentives and alternative work
9 arrangements. Colorado passed an alternative transportation
10 options tax credit to reward employers that implement
11 transportation demand management strategies. This measure is
12 modeled after their example.

13 The purpose of this Act is to create an alternative
14 transportation options tax credit to encourage employees to use
15 transportation alternatives to single occupancy vehicles.



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

"§235- Alternative Transportation Options Tax Credit.

(a) There shall be allowed to each individual or corporate taxpayer who is not claimed, or is not otherwise eligible to be claimed, as a dependent by another taxpayer for federal or state income tax purposes, an alternative transportation options credit that shall be deductible from the taxpayer's net income tax liability imposed by this chapter for the taxable year in which the tax credit is properly claimed.

(b) To qualify for the tax credit, the taxpayer shall be an employer, having a place of business in the State, that has implemented a transportation demand management strategy.

(c) A transportation demand management strategy is generally accepted if it is approved by the department of transportation as confirmed through rulemaking pursuant to chapter 91. Approved transportation demand management strategies include, but are not limited to, the following:

(1) Using public transportation;

(2) Carpooling;



1 (3) Bicycling;

2 (4) Walking; and

3 (5) Telework and flexible work arrangements.

4 (d) For the purposes of this credit, generally accepted
5 transportation demand management strategies do not include:

6 (1) Real property or improvements to real property;

7 (2) Electric vehicle charging for vehicles other than
8 carpool, vanpool, ridesharing, or last-mile shuttle
9 vehicles;

10 (3) Vehicles provided for employees to travel among work
11 or client sites;

12 (4) Vehicles provided to employees as a fringe benefit;

13 (5) Prearranged rides or other transportation for employee
14 travel unrelated to the employee's commute to or from
15 the employee's place of employment from or to the
16 employee's home; and

17 (6) Transportation to special events, such as infrequent
18 or non-mandatory events.

19 (e) An employer may claim a credit only for amounts spent
20 by the employer for those alternative transportation options
21 that it makes available to all of its employees who are employed



1 in the State. An employer makes a particular alternative
2 transportation option available to all of its employees if it
3 offers one or more alternative transportation options to all of
4 its employees employed in the State even if certain employees
5 choose not to avail themselves of any of the alternative
6 transportation options the employer has made available.

7 (d) For purposes of calculating the amount spent by the
8 employer, the following rules apply:

9 (1) Employers may provide one or more vehicles to be used
10 for ridesharing arrangements and last-mile shuttle
11 service subject to this paragraph.

12 (A) The vehicles must be depreciable property for
13 federal income tax purposes with a determinable
14 life that exceeds one year. The employer must be
15 able to deduct the cost of such property as a
16 business expense for federal income tax purposes
17 either as a current expense or as a deduction for
18 depreciation.

19 (B) The employer may claim an amount spent with
20 respect to a vehicle purchased prior to the
21 allowance of the credit or purchased for a



1 purpose other than providing alternative
2 transportation options if the vehicle is used
3 during the tax year to provide qualifying
4 alternative transportation options and the
5 employer otherwise qualifies for the credit.

6 (C) The amount spent is equal to the employer's
7 depreciation expense for each year the vehicle is
8 used for providing alternative transportation
9 options. The employer may not claim the entire
10 cost of a purchased vehicle in a single year.

11 (D) The amount spent includes actual expenses by the
12 employer for maintenance, repairs, fuel, vehicle
13 charging, high-occupancy toll devices, tolls, and
14 other reasonable and necessary operating expenses
15 paid for the employer-provided vehicle.

16 (E) The amount spent must be reduced to the extent
17 the vehicle is used for non-qualifying purposes.

18 (2) Employers may offer cash incentives to employees, not
19 to exceed the value of the transportation demand
20 management strategy, subject to this paragraph. The
21 value of walking, bicycling, or participating in



ridesharing or bikesharing arrangements is an amount equal to the employee's single-occupancy vehicle commute miles, multiplied by a reasonable per-mile cost recovery rate determined by the director.

(3) In the case of public transportation or ridesharing arrangements that do not use an employer-provided vehicle, the amount spent includes:

(A) Fees or fares paid by the employer to a transportation management organization or association or a mass transit agency for providing public transportation or a ridesharing arrangement; or

(B) In the case of a carpool using an employee's vehicle, the amounts paid to the employee for the reimbursement of:

(i) Mileage, calculated by multiplying the miles traveled by the carpool by a reasonable per-mile cost recovery rate determined by the director;



1 (ii) Costs or fees paid by the employee for high
2 occupancy toll or express lane devices and
3 related tolls; and

4 (iii) Amounts paid by the employee for parking.

5 (4) In the case of telework or flexible work arrangements,
6 the amount spent includes all mileage, calculated by
7 multiplying the miles that would have been traveled by
8 the employee, except for the telework or flexible work
9 arrangement, by a reasonable per-mile cost recovery
10 rate determined by the director.

11 (5) An employer may not include in the amount spent any
12 amount financed or reimbursed by a donation, grant, or
13 gift.

14 (e) The director shall prepare any forms that may be
15 necessary to claim the tax credit under this section. The
16 director may also require the taxpayer to furnish reasonable
17 information to ascertain the validity of the claim for credit
18 made under this section and may adopt rules pursuant to chapter
19 91 necessary to effectuate the purpose of this section.

20 (f) All claims for the tax credit under this section,
21 including any amended claims, must be filed on or before the end



1 of the twelfth month following the close of the taxable year for
2 which the tax credit may be claimed. Failure to comply with the
3 foregoing provision shall constitute a waiver of the right to
4 claim the tax credit.

5 (g) For the purposes of this section:

6 "Public transportation" means any mass transportation
7 program that is open to the general public and operated or
8 contracted by the State or a county.

9 "Transportation demand management strategy" means a
10 strategy designed to reduce congestion on public roadways,
11 lessen vehicle emissions, decrease fuel consumption, and improve
12 the ability of an employee to travel to work from home (and
13 return home from work) using one or more modes of transportation
14 other than a single-occupancy vehicle."

15 SECTION 3. New statutory material is underscored.

16 SECTION 4. This Act, upon its approval, shall apply to
17 taxable years beginning after December 31, 2026.
18

INTRODUCED BY:



JAN 27 2026



H.B. NO. 2392

Report Title:

Tax Credit; Transportation; Incentives; Employers; Commute

Description:

Establishes the alternative transportation options tax credit for employers that offer transportation demand management strategies to employees who commute using a method other than single occupancy vehicle. Authorizes rulemaking.

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

