

JAN 21 2026

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 attributational 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.



S.B. NO. 2375

1

INTRODUCED BY: *Marvin R. Brown*



S.B. NO. 2315

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.

