

JAN 23 2026

A BILL FOR AN ACT

RELATING TO TRANSPORTATION AFFORDABILITY.

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

1 SECTION 1. The legislature finds that Hawaii's dependency
2 on imported fossil fuels for ground transportation is a crisis
3 of affordability and economic security. According to statistics
4 from the department of business, economic development, and
5 tourism, Hawaii residents consume four hundred fifty million
6 gallons of imported gasoline and diesel fuel for their cars and
7 trucks every year, spending more than \$2,300,000,000 in 2024
8 alone.

9 The legislature further finds that rural communities and
10 lower-income families are particularly overburdened by the high
11 and rising costs of fossil fuel vehicles. A recent study
12 revealed that rural and lower-income households are
13 disproportionately represented among those that consume and
14 spend the most on gasoline. Households having the highest
15 reliance on gasoline spend an average of \$13,700 on their
16 gasoline bills per year, accounting for fourteen per cent of



1 their incomes. Switching to electric vehicles could save these
2 households \$5,300 annually, a thirty-eight per cent savings.

3 The legislature also finds that Hawaii's dependency on
4 fossil fuels for ground transportation is a climate injustice.

5 Rural, underserved, and disadvantaged communities are
6 disproportionately burdened and threatened by the harms and
7 costs of climate change, including sea-level rise, heatwaves,
8 wildfires, floods, droughts, extreme weather events, and
9 ecological collapse. Based on publicly reported data, gasoline
10 consumption by light-duty vehicles alone accounts for almost a
11 quarter of the State's climate pollution. However, current
12 technology can eliminate this pollution while saving money for
13 local families. If the highest seven per cent of gasoline users
14 in Hawaii were to convert to electric vehicles, they would save
15 more than \$220,000,000 per year on fuel. They would also avoid
16 more than 680,000 metric tons of carbon emissions, amounting to
17 almost four per cent of Hawaii's total emissions and more than
18 the entire commercial sector's emissions. Market trends data
19 show that prices of zero-emission electric vehicles continue to
20 decline, and that electric vehicles are on average thousands of
21 dollars cheaper than their fossil-fueled counterparts in the



1 total cost of ownership, including fuel and maintenance costs
2 over the vehicles' lifetimes. For low- to moderate-income
3 households, however, the upfront investment for a new vehicle
4 remains a significant barrier to accessing these savings
5 opportunities. The legislature finds that financial support for
6 investments in new and used electric vehicles is necessary to
7 expand savings opportunities for low- and moderate-income
8 families and ensure that no one will be left behind in the
9 transition to a clean and climate-safe transportation system.

10 The legislature additionally finds that in 2021, Hawaii
11 became the first state in the nation to declare a "climate
12 emergency" and passed Senate Concurrent Resolution No. 44,
13 calling for a statewide commitment and mobilization of
14 resources, including "[f]acilitation of investments in
15 beneficial projects and infrastructure such as zero emissions
16 energy [and] electric vehicles." Yet, unlike many other states,
17 Hawaii currently has no programs in place to support consumer
18 adoption of electric vehicles, particularly for low- and
19 moderate-income consumers. Now that the federal government has
20 abandoned the federal electric vehicle tax credits, the
21 legislature finds that the State must push forward with programs



1 to reduce Hawaii's dependence on imported fossil fuels and
2 mitigate the continual financial drain from the local economy
3 and oppressive burdens on everyday household budgets.

4 The legislature believes that a clean vehicle rebate
5 program offers a key mechanism to support the shift to more
6 affordable transportation options, which can reduce the cost of
7 living for Hawaii families. A clean vehicle rebate program can
8 be supported by revenues from a fee on purchases of new fossil
9 fuel vehicles. The "2025 Energy Security and Waste Reduction
10 Plan" that the Hawaii department of transportation developed
11 under the landmark settlement agreement in the Navahine case
12 recommends a rebate program as part of its multifaceted approach
13 to support clean vehicle choices, pollution reductions, and
14 transportation savings.

15 The legislature further finds that the benefits of a clean
16 vehicle rebate program include:

- 17 (1) Promoting affordability and equity by expanding access
18 to clean vehicles and unlocking opportunities to save
19 on gas bills and reduce harmful pollution from
20 transportation. Studies have shown that a rebate
21 program can especially help reduce the cost of living



1 for lower-income households, who also currently bear
2 the brunt of the economic and environmental burdens of
3 the legacy transportation system;

4 (2) Enabling a market-based solution by providing the
5 right market signals for consumers to shift to cleaner
6 and more affordable vehicles, and for manufacturers to
7 offer consumers more clean vehicle choices; and

8 (3) Serving as a revenue-neutral mechanism that does not
9 require state government revenues and taxpayer support
10 through funding appropriations or tax credits.

11 Instead, it redistributes revenues within the consumer
12 market and returns funds back to the industry to
13 support clean vehicles. It offers a flexible model
14 that can complement a comprehensive suite of
15 incentives and can be adjusted over time to optimize
16 its scope and impact.

17 Accordingly, the purpose of this Act is to establish a
18 market-based clean vehicle rebate program that will reduce the
19 cost of living and cost of transportation, particularly for
20 lower-income households. The overall intent and approach is for
21 the program to be self-financing and revenue-neutral so as not



1 to increase expenditures from or reduce revenues into the
2 general fund.

3 SECTION 2. Chapter 196, Hawaii Revised Statutes, is
4 amended by adding two new sections to be appropriately
5 designated and to read as follows:

6 **"§196-A Clean vehicle rebate program; third-party**
7 **administrator.** (a) The department of transportation shall
8 administer a rebate program that incentivizes the purchase or
9 lease of new and used clean vehicles, as provided in this
10 section. The department of transportation may contract with a
11 third-party administrator pursuant to subsection (i) to operate
12 and manage the rebate program.

13 (b) Rebates shall be distributed for purchases or leases
14 of eligible clean vehicles as follows:

- 15 (1) Each eligible purchase or lease of a new zero-emission
16 vehicle shall receive a rebate of \$5,000;
17 (2) Each eligible purchase or lease of a new plug-in
18 hybrid electric vehicle shall receive a rebate of
19 \$2,500;



(3) Each eligible purchase or lease of a used zero-emission vehicle shall receive a rebate of \$2,000; and

(4) Each eligible purchase or lease of a used plug-in hybrid electric vehicle shall receive a rebate of \$1,000.

The rebate shall be applied at the point of sale by participating dealers.

(c) In determining eligibility for the clean vehicle rebate program, the department of transportation shall also apply the following:

(1) Rebates shall be offered to applicants with household incomes of up to two hundred per cent of the area median income as determined by the United States Department of Housing and Urban Development;

(2) Rebates for new vehicles shall be offered for vehicles that have a manufacturer's suggested retail price of not more than \$60,000;

(3) Rebates for used vehicles shall be offered for vehicles that:

(A) Are purchased from a dealer;



1 (B) Have a sale price of not less than \$3,000 and not
2 more than \$25,000 before the application of the
3 rebate but after any trade-in value;

4 (C) Are a model year at least two years earlier than
5 the calendar year in which the vehicle purchased;

6 (D) Have not previously received a rebate for a used
7 vehicle purchase or lease under this section; and

8 (E) Meet minimum reliability metrics developed by the
9 department of transportation in implementing the
10 clean vehicle rebate program;

11 Upon request by a dealer, the department of
12 transportation shall disclose whether a vehicle has
13 previously received a rebate for a used vehicle
14 purchase or lease under this section.

15 (4) Rebates for leased vehicles shall be offered for
16 vehicles that:

17 (A) Are leased by dealers or retailers to consumers;
18 and

19 (B) Have not previously received a rebate for a
20 vehicle lease under this section;



1 provided that the dealer or retailer shall clearly
2 show the calculated lease price before and after the
3 application of the rebate; and

4 (5) Rebates for plug-in hybrid vehicles shall be offered
5 for vehicles that have an electric range of not less
6 than forty miles.

7 (d) An additional rebate of \$1,000, in addition to the
8 rebate for eligible clean vehicle types in subsection (b), shall
9 be offered to purchasers and lessees in low- and moderate-income
10 households. The department shall provide outreach to low- and
11 moderate-income households and communities to increase consumer
12 awareness of the rebate program.

13 (e) The program administrator may provide guidelines and
14 conditions in addition to those specified in this section and
15 shall have the flexibility to make programmatic adjustments due
16 to market changes, technological advancements, and levels of
17 participation to ensure the prudent use of program funds and to
18 effectively manage the program budget.

19 (f) This section shall apply to clean vehicles purchased
20 from dealers after the date that the department of
21 transportation initiates the clean vehicle rebate program. The



department of transportation shall develop a plan by December 31, 2026, to initiate and implement the clean vehicle rebate program using the proceeds from the clean vehicle special fund established under section 196-B. To the extent possible, the department of transportation shall seek to ensure continuity and avoid interruption in the availability of rebates under the program.

(g) The department of transportation shall:

(1) Prepare any forms that may be necessary for an applicant to claim a rebate pursuant to this section; and

(2) Require each applicant to furnish reasonable information to ascertain the validity of the claim, including documentation necessary to demonstrate the legitimate purchase of an eligible clean vehicle under subsection (b), compliance with the applicable guidelines and conditions under subsections (c) and (e), and verification of eligibility for the additional rebate under subsection (d).

(h) Nothing in this section shall alter taxes due on the original purchase of the clean vehicle before the application of



1 the rebate. Any rebate received pursuant to this section shall
2 not be considered income for the purposes of state or county
3 taxes.

4 (i) The department of transportation may contract with a
5 third-party administrator to operate and manage the clean
6 vehicle rebate program. The third-party administrator shall not
7 be deemed to be a "governmental body" as defined in
8 section 103D-104; provided that all moneys transferred to the
9 third-party administrator shall be comprised of funds collected
10 pursuant to section 237- , appropriated by the legislature, or
11 provided by the federal government or private funding sources.

12 The third-party administrator shall not expend more than ten per
13 cent of the amounts deposited in the clean vehicle special fund
14 established under section 196-B in any fiscal year, or any other
15 reasonable percentage determined by the department of
16 transportation, for the administrative costs of the clean
17 vehicle rebate program.

18 (j) The department of transportation shall review the
19 clean vehicle rebate program on an annual basis and submit a
20 report to the legislature no later than twenty days prior to the
21 convening of each regular session, beginning with the regular



1 session after the program is initiated. The report shall
2 include:

3 (1) Data on the numbers and dollar amounts of rebates
4 issued;

5 (2) Data on revenues received under section 237- ;

6 (3) The total program budget, including administrative
7 costs;

8 (4) Analysis of total consumer savings, including the
9 total cost of ownership;

10 (5) Analysis of low- and moderate-income consumer
11 participation and benefits;

12 (6) Analysis of emission reduction benefits, and

13 (7) Any proposed legislation.

14 The director of transportation shall furnish information
15 obtained through the administration of the program in response
16 to any request from the chief energy officer of the Hawaii state
17 energy office to fulfill the duties under sections 225P-8 and
18 196-71.

19 (k) The department of transportation may adopt rules,
20 pursuant to chapter 91, to effectuate the purposes of this
21 section.



1 (1) For the purposes of this section:
2 "Dealer" shall have the same meaning as in section 437-1.1.
3 "Low- and moderate-income household" shall have the same
4 meaning as in section 196-111.
5 "Plug-in hybrid electric vehicle" shall have the same
6 meaning as in section 103D-412.
7 "Zero-emission vehicle" shall have the same meaning as in
8 section 196-9.
9 **§196-B Clean vehicle special fund.** (a) There is
10 established a clean vehicle special fund into which shall be
11 deposited:
12 (1) The revenues from the transportation affordability and
13 energy security tax under section 237- ;
14 (2) All other funds received by the department of
15 transportation and available for the purposes of the
16 clean vehicle special fund; and
17 (3) Interest earnings on all amounts in the clean vehicle
18 special fund.
19 (b) The clean vehicle special fund shall not be subject to
20 section 37-53.



(c) The department of transportation shall expend moneys in the special fund for the purposes of funding the clean vehicle rebate program established under section 196-A."

SECTION 3. Chapter 237, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

"§237- Transportation affordability and energy security tax. (a) In addition to the tax levied in section 237-13(2), there shall be an additional tax levied on the gross proceeds of the sale of a light-duty motor vehicle that is powered solely by gasoline, diesel, or gasoline or diesel blends, with or without a battery, as follows:

(1) per cent if the vehicle obtains less than thirty miles per gallon based on federal Environmental Protection Agency combined ratings;

(2) per cent if the vehicle obtains at least thirty but not more than fifty miles per gallon based on federal Environmental Protection Agency combined ratings; and



(3) _____ per cent if the vehicle obtains more than
fifty miles per gallon based on federal Environmental
Protection Agency combined ratings.

(b) The tax shall be collected and deposited into the
clean vehicle special fund established under section 196-B and
shall be used to provide rebates under the clean vehicle rebate
program established under section 196-A.

(c) For the purposes of this section, "light-duty motor
vehicle" shall have the same meaning as in section 196-9."

SECTION 4. In codifying the new sections added by
section 2 of this Act, the revisor of statutes shall substitute
appropriate section numbers for the letters used in designating
the new sections in this Act.

SECTION 5. New statutory material is underscored.

SECTION 6. This Act shall take effect on July 1, 2026.

INTRODUCED BY: 



S.B. NO. 2691

Report Title:

DOT; Clean Vehicle; Rebate; Environment; Special Fund; General Excise Tax; DOTAX

Description:

Requires the Department of Transportation to establish a clean vehicle rebate program to provide rebates for the purchase or lease of new and used zero-emission vehicles and plug-in hybrid electric vehicles. Establishes the clean vehicle special fund. Establishes a transportation affordability and energy security tax.

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