

JAN 23 2026

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 Hawaii faces unique
2 geographical challenges that limit access to specialized medical
3 care, requiring many residents to travel to other islands or
4 outside the State for essential medical services. The high
5 costs associated with medical travel, including airfare,
6 lodging, transportation, and meals, impose a significant
7 financial burden on individuals and families, particularly those
8 from rural or underserved areas. These expenses
9 disproportionately affect vulnerable populations, including
10 seniors, low-income residents, and those with chronic
11 conditions, further exacerbating health inequities in the State.

12 The legislature also finds that access to timely and
13 appropriate healthcare is a fundamental right and is essential
14 for improving public health outcomes and reducing long-term
15 healthcare costs. Existing federal tax deductions may not fully
16 alleviate the financial burden on Hawaii residents due to the
17 limitations on eligibility and coverage under current tax laws.



1 The legislature further finds that a state income tax credit for
2 medical travel expenses would provide targeted relief, help to
3 ensure equitable access to healthcare, and strengthen the
4 overall well-being of Hawaii's communities by reducing the
5 financial burdens and barriers to care.

6 Accordingly, the purpose of this Act is to establish an
7 income tax credit for medical travel expenses incurred by
8 residents to alleviate financial hardships, improve access to
9 critical healthcare services, and promote healthier medical
10 outcomes for residents across the State.

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

14 "§235- Income tax credit; medical travel expenses. (a)
15 Each qualified taxpayer who is not eligible to be claimed by
16 another as a dependent for federal or state income taxes, and
17 who files an individual net income tax return for a taxable
18 year, may claim a tax credit under this section against the
19 resident taxpayer's Hawaii state individual net income tax,
20 subject to the requirements of this section.

21 (b) The amount of the tax credit shall be equal to:



1 (1) For a taxpayer whose household income does not exceed
2 three hundred per cent of the area median income, one
3 hundred per cent of the qualified expenses incurred
4 during the taxable year, up to a maximum of:

5 (A) For a taxpayer filing a single return or a
6 married person filing separately, \$2,500;
7 (B) For a taxpayer filing as a head of household,
8 \$3,750; and
9 (C) For a taxpayer filing a joint return or as a
10 surviving spouse, \$5,000;

11 (2) For a taxpayer whose household income is more than
12 three hundred per cent but does not exceed five
13 hundred per cent of the area median income, fifty per
14 cent of the qualified expenses incurred during the
15 taxable year, up to a maximum of:

16 (A) For a taxpayer filing a single return or a
17 married person filing separately, \$2,500;
18 (B) For a taxpayer filing as a head of household,
19 \$3,750; and
20 (C) For a taxpayer filing a joint return or as a
21 surviving spouse, \$5,000; and



1 (3) For a taxpayer whose household income exceeds, five
2 hundred per cent of the area median income, \$0.

3 (c) Every qualified taxpayer, before March 31 of each year
4 in which qualified expenses were incurred by the taxpayer in the
5 previous taxable year, shall submit to the department of
6 business, economic development, and tourism:

7 (1) A copy of the licensed health care provider's
8 certificate of medical necessity;

9 (2) A written, certified statement identifying qualified
10 expenses incurred in the previous taxable year and
11 copies of any supporting documentation required by the
12 department of business, economic development, and
13 tourism; and

14 (3) The amount of the tax credit claimed by the taxpayer
15 pursuant to this section, if any, in the previous
16 taxable year.

17 A qualified taxpayer shall maintain all documentation in
18 support of each submission to the department of business,
19 economic development, and tourism for a period of not less than
20 six years, and shall furnish the records to the department of
21 business, economic development, and tourism upon request.



1 (d) The department of business, economic development, and
2 tourism shall:

3 (1) Maintain records of the names and addresses of the
4 qualified taxpayers claiming the credits under this
5 section and the total amount of the qualified expenses
6 upon which the tax credits are based;

7 (2) Verify the nature and amount of the qualified
8 expenses;

9 (3) Total all qualified and cumulative expenses that the
10 department certifies; and

11 (4) Certify the amount of the tax credit for each taxpayer
12 for each taxable year and the cumulative amount of the
13 tax credit.

14 Upon each determination made under this subsection, the
15 department of business, economic development, and tourism shall
16 issue a certificate to the taxpayer verifying information
17 submitted to the department of business, economic development,
18 and tourism, including amounts of qualified expenses, the credit
19 amount certified for the taxpayer for each taxable year, and the
20 cumulative amount of tax credits certified. The taxpayer shall
21 file the certificate with the taxpayer's tax return with the



1 department of taxation. The director of taxation may audit and
2 adjust the certification to conform to the facts.

3 The department of business, economic development, and
4 tourism may assess and collect a fee to offset the costs of
5 certifying tax credit claims under this section.

6 (e) The tax credit under this section shall be deductible
7 from the taxpayer's individual net income tax for the tax year
8 in which the credit is properly claimed; provided that spouses
9 filings separate returns for a taxable year for which a joint
10 return could have been made by the spouses shall claim only the
11 tax credit to which they would have been entitled had a joint
12 return been filed. If the allowed tax credit exceeds the amount
13 of the income tax payments due from the taxpayer, the excess of
14 the credit over liability may be used as a credit against the
15 taxpayer's income tax liability in subsequent years until
16 exhausted.

17 (f) All of the provisions relating to assessments and
18 refunds under this chapter and under section 231-23(c)(1) shall
19 apply to the tax credits hereunder.

20 (g) A claim for a tax credit under this section, including
21 any amended claim thereof, shall be filed on or before the end



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

5 (h) The director of taxation:

6 (1) Shall prepare any forms that may be necessary to claim a
7 tax credit under this section;
8 (2) May require the taxpayer to furnish reasonable information
9 to ascertain the validity of the claim for the tax credit
10 made under this section; and
11 (3) May adopt rules under chapter 91 necessary to effectuate
12 the purposes of this section.

13 (i) The department of taxation, in consultation with the
14 department of business, economic development, and tourism, shall
15 prepare an annual report to the legislature that includes:

16 (1) The number of taxpayers claiming the credit,
17 disaggregated by income tier, county of residence, and
18 whether medical care was obtained within or outside
19 the State;
20 (2) The aggregate amount of expenses claimed, aggregate
21 credit amounts allowed, and the average credit per
22 claimant;



1 (3) An estimate of the fiscal impact of the credit and any
2 measurable effects on patient access to care or other
3 health-outcome metrics;
4 (4) The demographic distribution of claimants, including
5 age groups, household size, and whether the patient
6 was an adult or minor; and
7 (5) Any findings and recommendations, including any
8 proposed legislation, for any changes to the program.
9 (j) For the purposes of this section:
10 "Caregiver" means one person designated by the patient, or
11 the patient's legal guardian, to accompany the patient during
12 the medically required travel and treatment period.
13 "Dependent" has the same meaning as in section 152 of the
14 Internal Revenue Code, determined without regard to subsections
15 (b) (1), (b) (2), and (d) (1) (B) thereof.
16 "Medical care" has the same meaning as in sections
17 213(d) (1) (A) and 213(d) (9) of the Internal Revenue Code.
18 "Medically required incidentals" means expenses directly
19 related to the treatment of the patient, but not otherwise
20 reimbursed by insurance or another payer, including special



1 dietary needs during travel and physician-ordered medical
2 supplies or equipment for use during travel.

3 "Patient" means a taxpayer, or a dependent of the taxpayer,
4 who must travel from the taxpayer's primary residence in Hawaii
5 to another location in or outside the State in order to receive
6 medical care that the treating physician certifies is medically
7 necessary and not reasonably available within the State or the
8 patient's county of residence.

9 "Qualified expenses" means travel expenses not covered by
10 insurance incurred by a patient and one accompanying caregiver
11 to obtain medical care, including:

12 (1) Airfare;
13 (2) Lodging;
14 (3) Ground transportation;
15 (4) Medically required incidentals; and
16 (5) Parking fees incurred at or near the treatment
17 location.

18 "Qualified taxpayer" means a taxpayer who incurred
19 qualified expenses during the taxable year for which the credit
20 is claimed; provided that:



1 (1) The taxpayer or the taxpayer's dependent has received
2 certification of medical necessity from a physician,
3 physician assistant, or advanced practice registered
4 nurse licensed to practice in the State, acting within
5 the scope of their practice, which states that the
6 patient's travel is required because treatment is not
7 reasonably available in the State or the patient's
8 county of residence and could not reasonably be
9 delayed without risk to the patient's health;
10 (2) The patient's travel and treatment occurred during the
11 taxable year for which the credit is claimed; and
12 (3) The income of the taxpayer's household does not exceed
13 five hundred per cent of the area median income."

14 SECTION 3. This Act does not affect rights and duties that
15 matured, penalties that were incurred, and proceedings that were
16 begun before its effective date.

17 SECTION 4. New statutory material is underscored.

18 SECTION 5. This Act shall take effect upon its approval;
19 provided that:

20 (1) This Act shall apply to taxable years beginning after
21 December 31, 2025; and



1 (2) This Act shall be repealed on January 1, 2031.

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INTRODUCED BY:

Mark W. Rankin 



S.B. NO. 2746

Report Title:

Income Taxation; Individuals; Medical Travel; Tax Credit

Description:

Establishes an income tax credit for medically related travel expenses not covered by insurance. Sunsets 1/1/2031.

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

