

JAN 30 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 residents
2 bear substantial state fuel tax burdens, with a large share
3 being felt by working families who are dependent on their
4 personal vehicles to travel between home and work. The
5 legislature finds that tax relief is needed to help residents
6 with high gas prices and lower the cost of living.

7 The legislature further finds that the increasing adoption
8 of electric and hybrid vehicles reduces state fuel tax
9 collections resulting in a greater diversification of sources
10 for the State Highway Fund, where fuel taxes presently comprise
11 21% of total revenues, down dramatically from 45% in 2011. As
12 the State Department of Transportation explores alternative
13 funding mechanisms, it is important to consider changes that
14 provide direct relief to our drivers.

15 Therefore, the purpose of this Act is to eliminate state
16 taxes on motor fuels.



1 SECTION 2. Section 243-4, Hawaii Revised Statutes, is
2 amended by amending subsection (a) and (b) to read as follows:

3 "(a) Every distributor shall, in addition to any other
4 taxes provided by law, pay a license tax to the department of
5 taxation for each gallon of liquid fuel refined, manufactured,
6 produced, or compounded by the distributor and sold or used by
7 the distributor in the State or imported by the distributor, or
8 acquired by the distributor from persons who are not licensed
9 distributors, and sold or used by the distributor in the State.

10 Any person who sells or uses any liquid fuel, knowing that the
11 distributor from whom it was originally purchased has not paid
12 and is not paying the tax thereon, shall pay such tax as would
13 have applied to such sale or use by the distributor. The rates
14 of tax imposed are as follows:

15 (1) For each gallon of diesel oil, 1 cent;

16 (2) For each gallon of gasoline or other aviation fuel
17 sold for use in or used for airplanes, 1 cent;

18 (3) For each gallon of naphtha sold for use in a power-
19 generating facility, 2 cents;

20 (4) For each gallon of liquid fuel, other than fuel
21 mentioned in paragraphs (1), (2), and (3), and other



1 than an alternative fuel, sold or used in the city and
2 county of Honolulu, or sold in any county for ultimate
3 use in the city and county of Honolulu, [~~16 cents~~
4 ~~state tax, and in addition thereto~~] an amount, to be
5 known as the "city and county of Honolulu fuel tax",
6 as shall be levied pursuant to section 243-5;

7 (5) For each gallon of liquid fuel, other than fuel
8 mentioned in paragraphs (1), (2), and (3), and other
9 than an alternative fuel, sold or used in the county
10 of Hawaii, or sold in any county for ultimate use in
11 the county of Hawaii, [~~16 cents state tax, and in~~
12 ~~addition thereto~~] an amount, to be known as the
13 "county of Hawaii fuel tax", as shall be levied
14 pursuant to section 243-5;

15 (6) For each gallon of liquid fuel, other than fuel
16 mentioned in paragraphs (1), (2), and (3), and other
17 than an alternative fuel, sold or used in the county
18 of Maui, or sold in any county for ultimate use in the
19 county of Maui, [~~16 cents state tax, and in addition~~
20 ~~thereto~~] an amount, to be known as the "county of Maui



1 fuel tax", as shall be levied pursuant to section 243-
2 5; and

3 (7) For each gallon of liquid fuel, other than fuel
4 mentioned in paragraphs (1), (2), and (3), and other
5 than an alternative fuel, sold or used in the county
6 of Kauai, or sold in any county for ultimate use in
7 the county of Kauai, [~~16 cents state tax, and in~~
8 ~~addition thereto~~] an amount, to be known as the
9 "county of Kauai fuel tax", as shall be levied
10 pursuant to section 243-5.

11 If it is shown to the satisfaction of the department, based
12 upon proper records and from any other evidence as the
13 department may require, that liquid fuel, other than fuel
14 mentioned in paragraphs (1), (2), and (3), is used for
15 agricultural equipment that does not operate upon the public
16 highways of the State, the user thereof may obtain a refund of
17 all taxes thereon imposed by this section in excess of 1 cent
18 per gallon. The department shall adopt rules to administer such
19 refunds.

20 (b) Every distributor of diesel oil, in addition to the
21 tax required by subsection (a), shall pay a license tax to the



1 department for each gallon of diesel oil sold or used by the
2 distributor for operating a motor vehicle or motor vehicles upon
3 public highways of the State. The rates of the additional tax
4 imposed are as follows:

5 (1) For each gallon of diesel oil sold or used in the city
6 and county of Honolulu, or sold in any other county
7 for ultimate use in the city and county of Honolulu,
8 ~~[15 cents state tax, and in addition thereto]~~ an
9 amount, to be known as the "city and county of
10 Honolulu fuel tax", as shall be levied pursuant to
11 section 243-5;

12 (2) For each gallon of diesel oil sold or used in the
13 county of Hawaii, or sold in any other county for
14 ultimate use in the county of Hawaii, ~~[15 cents state~~
15 ~~tax, and in addition thereto]~~ an amount, to be known
16 as the "county of Hawaii fuel tax", as shall be levied
17 pursuant to section 243-5;

18 (3) For each gallon of diesel oil sold or used in the
19 county of Maui, or sold in any other county for
20 ultimate use in the county of Maui, ~~[15 cents state~~
21 ~~tax, and in addition thereto]~~ an amount, to be known



1 as the "county of Maui fuel tax", as shall be levied
2 pursuant to section 243-5; and

3 (4) For each gallon of diesel oil sold or used in the
4 county of Kauai, or sold in any other county for
5 ultimate use in the county of Kauai, [~~15 cents state~~
6 ~~tax, and in addition thereto~~] an amount, to be known
7 as the "county of Kauai fuel tax", as shall be levied
8 pursuant to section 243-5.

9 If any user of diesel oil furnishes a certificate, in a
10 form that the department shall prescribe, to the distributor or
11 if the distributor who uses diesel oil signs the certificate,
12 certifying that the diesel oil is for use in operating a motor
13 vehicle or motor vehicles in areas other than upon the public
14 highways of the State, the tax as provided in paragraphs (1) to
15 (4) shall not be applicable. If a certificate is not or cannot
16 be furnished and the diesel oil is in fact for use for operating
17 a motor vehicle or motor vehicles in areas other than upon
18 public highways of the State, the user thereof may obtain a
19 refund of all taxes thereon imposed by the foregoing paragraphs.
20 The department shall adopt rules to administer the refunding of
21 such taxes."



S.B. NO. 3337

1 SECTION 3. Statutory material to be repealed is bracketed
2 and stricken. New statutory material is underscored.

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

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INTRODUCED BY:

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S.B. NO. 3337

Report Title:

Tax; Fuel; Gasoline; Cost of Living; Affordability

Description:

Eliminates state taxes on gasoline and diesel fuel for motor vehicles.

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

SB SMO 2026-04

