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# 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' lifetime. 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 clean vehicle rebate program that incentivizes the  
9 purchase or lease of new and used clean vehicles, as provided in  
10 this section. The department of transportation may contract  
11 with a third-party administrator pursuant to subsection (i) to  
12 operate 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 \$3,000;



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

4       (4) Each eligible purchase or lease of a used plug-in  
5       hybrid electric vehicle shall receive a rebate of  
6       \$2,000.

7       The rebate shall be applied at the point of sale by participating  
8       dealers on the manufacturer's suggested retail price.

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

12      (1) Rebates shall be offered to applicants with household  
13      incomes of up to two hundred per cent of the area  
14      median income as determined by the United States  
15      Department of Housing and Urban Development; provided  
16      that the department may expand eligibility to  
17      households earning up to three hundred per cent of the  
18      area median income as determined by the United States  
19      Department of Housing and Urban Development, subject  
20      to available funding;



1        (2) Rebates for new vehicles shall be offered for vehicles  
2        that have a manufacturer's suggested retail price of  
3        no more than \$60,000;

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

6            (A) Are purchased from a dealer;

7            (B) Have a sale price of no less than \$3,000 and no  
8            more than \$25,000 before the application of the  
9            rebate but after any trade-in value;

10          (C) Have not received a rebate for a new vehicle  
11          purchase under this section in the past thirty-  
12          six months prior to the purchase as a used  
13          vehicle;

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

16          (E) Meet minimum reliability metrics developed by the  
17          department of transportation in implementing the  
18          clean vehicle rebate program;

19        (4) Rebates for leased vehicles shall be offered for  
20        vehicles that:

21            (A) Are leased by dealers to consumers; and





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

3           provided that the dealer shall clearly show the  
4           calculated lease price before and after the  
5           application of the rebate; and

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

9           (d) An additional rebate of \$2,000, in addition to the  
10          rebate for eligible clean vehicle types in subsection (b), shall  
11          be offered to purchasers and lessees in low- and moderate-income  
12          households. The department of transportation shall provide  
13          outreach to low- and moderate-income households and communities  
14          to increase consumer awareness of the rebate program.

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



1        (f) This section shall apply to clean vehicles purchased  
2 from dealers after the date that the department of  
3 transportation initiates the clean vehicle rebate program. The  
4 department of transportation shall develop a plan by  
5 December 31, 2026, to initiate and implement the clean vehicle  
6 rebate program using the proceeds from the clean vehicle special  
7 fund established under section 196-B. To the extent possible,  
8 the department of transportation shall seek to ensure continuity  
9 and avoid interruption in the availability of rebates under the  
10 program.

11        (g) The department of transportation shall:

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

15        (2) Require each applicant to furnish reasonable  
16 information to ascertain the validity of the claim,  
17 including documentation necessary to demonstrate the  
18 legitimate purchase of an eligible clean vehicle under  
19 subsection (b), compliance with the applicable  
20 guidelines and conditions under subsections (c) and



1           (e), and verification of eligibility for the  
2           additional rebate under subsection (d).

3           (h) Nothing in this section shall alter taxes due on the  
4           original purchase of the clean vehicle before the application of  
5           the rebate. Any rebate received pursuant to this section shall  
6           not be considered income for the purposes of state or county  
7           taxes.

8           (i) The department of transportation may contract with a  
9           third-party administrator to operate and manage the clean  
10          vehicle rebate program. The third-party administrator shall not  
11          be deemed to be a "governmental body" as defined in  
12          section 103D-104; provided that all moneys transferred to the  
13          third-party administrator shall be comprised of funds collected  
14          pursuant to section 237- , appropriated by the legislature, or  
15          provided by the federal government or private funding sources.  
16          The third-party administrator shall not expend more than ten per  
17          cent of the amounts deposited in the clean vehicle special fund  
18          established under section 196-B in any fiscal year, or any other  
19          reasonable percentage determined by the department of  
20          transportation, for the administrative costs of the clean  
21          vehicle rebate program.



1        (j) The department of transportation shall review the  
2 clean vehicle rebate program on an annual basis and submit a  
3 report to the legislature no later than twenty days prior to the  
4 convening of each regular session, beginning with the regular  
5 session after the program is initiated. The report shall  
6 include:

7        (1) Data on the numbers and dollar amounts of rebates  
8        issued;

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

10       (3) The total program budget, including administrative  
11       costs;

12       (4) Analysis of total consumer savings, including the  
13       total cost of ownership;

14       (5) Analysis of low- and moderate-income consumer  
15       participation and benefits;

16       (6) Analysis of emission reduction benefits; and

17       (7) Any proposed legislation.

18 The director of transportation shall furnish information  
19 obtained through the administration of the program in response  
20 to any request from the chief energy officer of the Hawaii state



1 energy office to fulfill the duties under sections 196-71 and  
2 225P-8.

3 (k) The department of transportation may adopt rules,  
4 pursuant to chapter 91, to effectuate the purposes of this  
5 section.

6 (l) For the purposes of this section:

7 "Dealer" has the same meaning as in section 437-1.1.

8 "Low- and moderate-income household" has the same meaning  
9 as in section 196-111.

10 "Plug-in hybrid electric vehicle" has the same meaning as  
11 in section 103D-412.

12 "Zero-emission vehicle" has the same meaning as in section  
13 196-9.

14 **\$196-B Clean vehicle special fund.** (a) There is  
15 established a clean vehicle special fund into which shall be  
16 deposited:

17 (1) The revenues from the transportation affordability and  
18 energy security tax under section 237- ;

19 (2) All other funds received by the department of  
20 transportation and available for the purposes of the  
21 clean vehicle special fund; and



(3) Interest earnings on all amounts in the clean vehicle special fund.

(b) The clean vehicle special fund shall not be subject to 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) Beginning January 1, 2027, 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



1 federal Environmental Protection Agency combined  
2 ratings; and

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

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

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

12 SECTION 4. Nothing in this Act shall prohibit the  
13 department of transportation or legislature from appropriating  
14 additional funds to initiate, administer, or expand the clean  
15 vehicle rebate program established pursuant to section 2 of this  
16 Act.

17 SECTION 5. In codifying the new sections added by  
18 section 2 of this Act, the revisor of statutes shall substitute  
19 appropriate section numbers for the letters used in designating  
20 the new sections in this Act.

21 SECTION 6. New statutory material is underscored.



1 SECTION 7. This Act shall take effect on July 1, 3000.





**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. Beginning 1/1/2027, establishes a transportation affordability and energy security tax. Effective 7/1/3000. (HD1)

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

