

JAN 23 2026

A BILL FOR AN ACT

RELATING TO TRANSPORTATION.

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

1 SECTION 1. The legislature finds that the State committed
2 to a achieving a zero emissions clean economy by 2045 by passing
3 Act 15, Session Laws of Hawaii 2018. To achieve this goal, the
4 State must take ambitious steps to reduce greenhouse gas
5 emissions and promote sustainability.

6 The legislature further finds that providing free public
7 transportation and increasing taxes on petroleum products to
8 fund fare-free transit are effective, economically sound
9 measures to reduce emissions. Transitioning to fare-free public
10 transportation systems would increase ridership and access for
11 low-income residents while reducing traffic congestion and
12 greenhouse gas emissions. This policy also reflects the 2020 to
13 2022 tax review commission's top recommendation to utilize taxes
14 to incentivize a clean energy transition.

15 Accordingly, the purpose of this Act is to:

16 (1) Require each county to implement fare-free access to
17 its public transportation systems; and



1 (2) Increase the tax on petroleum products to reimburse
2 the counties for providing fare-free transit.

3 SECTION 2. Chapter 46, Hawaii Revised Statutes, is amended
4 by adding a new section to be appropriately designated and to
5 read as follows:

6 "§46- County public transportation systems; fare-free
7 access. (a) Beginning January 1, 2027, each county shall
8 implement fare-free access to its public transportation systems.

9 (b) Costs incurred by the counties in implementing fare-
10 free access pursuant to this section shall be eligible for
11 reimbursement from the State, subject to the availability of
12 funds and approval of the department of taxation; provided that
13 each county shall be eligible to be reimbursed in the following
14 amounts per fiscal year:

- 15 (1) \$2,500,000 for the county of Kauai;
16 (2) \$5,000,000 for the county of Hawaii;
17 (3) \$45,000,000 for the city and county of Honolulu; and
18 (4) \$5,000,000 for the county of Maui;

19 provided further that the amounts shall be adjusted annually for
20 inflation.



1 (c) For the purposes of this section, "fare-free access"
2 means providing public transportation services at no cost to all
3 riders."

4 SECTION 3. Chapter 231, Hawaii Revised Statutes, is
5 amended by adding a new section to be appropriately designated
6 and to read as follows:

7 "§231- Fare-free public transportation tax and dividend
8 special fund; established. (a) There is established the fare-
9 free public transportation tax and dividend special fund, into
10 which shall be deposited:

11 (1) The amount specified by section 243-3.5;

12 (2) Moneys appropriated to the fund by the legislature;
13 and

14 (3) Any interest earned or accrued on moneys in the fund.

15 (b) Moneys in the fare-free public transportation tax and
16 dividend special fund shall be administered by the department of
17 taxation to reimburse the counties for providing the public with
18 fare-free access to public transportation systems pursuant to
19 section 46- ."

20 SECTION 4. Section 243-3.5, Hawaii Revised Statutes, is
21 amended by amending subsection (a) to read as follows:



1 "(a) In addition to any other taxes provided by law,
2 subject to the exemptions set forth in section 243-7, there is
3 hereby imposed a state environmental response, energy, and food
4 security tax on each barrel or fractional part of a barrel of
5 petroleum product sold by a distributor to any retail dealer or
6 end user of petroleum product, other than a refiner. The tax
7 shall be [~~\$1.05~~] \$3.35 on each barrel or fractional part of a
8 barrel of petroleum product that is not aviation fuel; provided
9 that, beginning in 2028, the tax shall be increased by
10 \$ _____ on each barrel or fractional part of a barrel of
11 petroleum on January 1 of each year; provided further that of
12 the tax collected pursuant to this subsection:

13 (1) 5 cents of the tax on each barrel shall be deposited
14 into the environmental response revolving fund
15 established under section 128D-2;

16 (2) 4 cents of the tax on each barrel shall be deposited
17 into the energy security special fund established
18 under section 201-12.8;

19 (3) 5 cents of the tax on each barrel shall be deposited
20 into the energy systems development special fund
21 established under section 304A-2169.1;



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- 1 (4) 3 cents of the tax on each barrel shall be deposited
2 into the electric vehicle charging system subaccount
3 established pursuant to section 269-33(e); [~~and~~]
- 4 (5) 3 cents of the tax on each barrel shall be deposited
5 into the hydrogen fueling system subaccount
6 established pursuant to section 269-33(f) [~~+~~]; and
- 7 (6) \$2.30 of the tax on each barrel shall be deposited
8 into the fare-free public transportation tax and
9 dividend special fund established pursuant to section
10 231- ; provided that the amount of the tax on each
11 barrel deposited into the special fund shall increase
12 by \$ _____ each year.

13 The tax imposed by this subsection shall be paid by the
14 distributor of the petroleum product."

15 SECTION 5. Statutory material to be repealed is bracketed
16 and stricken. New statutory material is underscored.

17 SECTION 6. This Act shall take effect upon its approval;
18 provided that section 4 shall take effect on January 1, 2027,

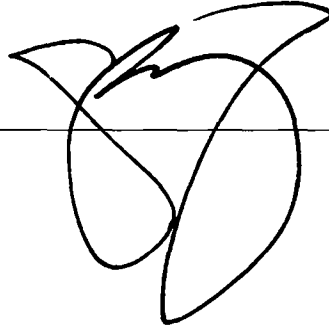


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1 and shall apply to taxable years beginning after December 31,
2 2026.

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INTRODUCED BY:

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S.B. NO. 2904

Report Title:

DOTAX; Counties; Public Transportation Systems; Fare-Free Access; Fare-Free Public Transportation Tax and Dividend Special Fund; Environmental Response, Energy, and Food Security Tax

Description:

Beginning 1/1/2027, requires each county to implement fare-free access to its public transportation systems. Establishes the Fare-Free Public Transportation Tax and Dividend Special Fund. Increases the Environmental Response, Energy, and Food Security Tax on petroleum products to fund fare-free public transportation.

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

