

Honolulu, Hawaii

FEB 17, 2026

RE: H.B. No. 1661
H.D. 1

Honorable Nadine K. Nakamura
Speaker, House of Representatives
Thirty-Third State Legislature
Regular Session of 2026
State of Hawaii

Madame:

Your Committee on Labor, to which was referred H.B. No. 1661
entitled:

"A BILL FOR AN ACT RELATING TO CAFETERIA PLANS,"

begs leave to report as follows:

The purpose of this measure is to require the maximum salary reduction contribution and maximum carryover amounts for any flexible spending account plan established as part of a public employer's cafeteria plan be set annually in accordance with the inflation adjusted maximum amounts prescribed by the Internal Revenue Service.

Your Committee received testimony in support of this measure from United Public Workers, AFSCME Local 646, AFL-CIO and Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO. Your Committee received comments on this measure from the Department of Human Resources Development; Department of Human Resources of the City and County of Honolulu; and Tax Foundation of Hawaii.

Your Committee finds that public employees rely on flexible spending account programs to manage rising health care and dependent care expenses in a tax-advantaged manner. Existing law does not clearly align contribution and carryover limits with annually updated federal thresholds, which can create confusion for employees and administrators and prevent the plans from fully



reflecting allowable federal benefits. This measure ensures that Hawaii's public sector cafeteria plans keep pace with federal adjusted limits by requiring annual updates to the maximum contribution and carryover amounts.

Your Committee has amended this measure by:

- (1) Deleting the requirement that the maximum salary reduction contribution and maximum carryover amount be tied to the inflation-adjusted limits for that calendar year; and
- (2) Changing the effective date to July 1, 3000, to encourage further discussion.

Your Committee notes that the Department of Human Resources Development had requested in their testimony an effective date of July 1, 2027, to address implementation issues for the cafeteria plan's 2026-2027 plan year. Your Committee respectfully requests your Committee on Finance, should it deliberate on this measure, to consider adopting that effective date.

As affirmed by the record of votes of the members of your Committee on Labor that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1661, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1661, H.D. 1, and be referred to your Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committee on Labor,



JACKSON D. SAYAMA, Chair



