

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION

Ka 'Oihana 'Auhau

P.O. BOX 259

HONOLULU, HAWAII 96809

PHONE NO: (808) 587-1540

FAX NO: (808) 587-1560

**TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No. 2392, Relating to Taxation

BEFORE THE:

House Committee on Transportation

DATE: Thursday, February 5, 2026

TIME: 9:30 a.m.

LOCATION: State Capitol, Room 430

Chair Kila, Vice-Chair Miyake, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding H.B. 2392 for your consideration.

H.B. 2392 adds a new section under chapter 235, Hawaii Revised Statutes (HRS) that creates an "alternative transportation options tax credit" for employers that offer transportation demand management strategies to employees who commute using a method other than single occupancy vehicle and authorizes rulemaking by the Department of Transportation (HDOT) and DOTAX to administrate the credit.

Subsection (b) provides that a taxpayer must be an employer, having a place of business in the State, that has implemented a "transportation demand management strategy" to qualify for the tax credit.

"Transportation demand management strategy" is defined as "a strategy designed to reduce congestion on public roadways, lessen vehicle emissions, decrease fuel consumption, and improve the ability of an employee to travel to work from home (and return home from work) using one or more modes of transportation other than a single-occupancy vehicle."

"Public transportation" is defined as "any mass transportation program that is

open to the general public and operated or contracted by the State or a county.”

Subsection (c) provides that a “transportation demand management strategy” will be “generally accepted” upon approval by HDOT. It then provides a non-exhaustive list of strategies that could be subject to HDOT’s approval, including using public transportation, carpooling, and bicycling, among others. Subsection (d) then provides a list of strategies that would not be generally accepted “transportation demand management strategies, including real property or improvements to real property, electric vehicle charging for vehicles other than carpool, vanpool, ridesharing, or last-mile shuttle vehicles, and vehicles provided for employees to travel among work or client sites, among others.

Subsection (e) states that an employer may claim the tax credit only for amounts spent by the employer for those “alternative transportation options” that it makes available to all its employees who are employed in the State, even if certain employees choose not to avail themselves of any of the options the employer has made available.

A second subsection (d) (typo?) specifies rules for the purposes of calculating the amount spent by the employer claiming the tax credit, including allowing the employer to provide vehicles to be used for ridesharing arrangements, and cash incentives to employees within certain value limits. The rules also provide calculation provisions in the case of public transportation or ridesharing arrangements that do not use an employer provided vehicle, and for teleworking or flexible work arrangements. An employer may not include amounts spent on financing or reimbursements for such arrangements.

The tax credit must be claimed against the taxpayer’s net income tax liability, on or before the end of the twelfth month following the close of the taxable year (including amended claims).

The bill references a “director” in several places but does not clearly indicate if the reference is to the director of the HDOT or DOTAX. The bill does state that the director of taxation is authorized to prepare necessary forms, require the taxpayer to furnish information to ascertain the validity of a claim for the tax credit, and to adopt rules necessary for implementation. The bill is effective upon approval and applies to taxable years beginning after December 31, 2026.

First, DOTAX notes that administering the bill as written would be difficult, as DOTAX does not have the subject-matter expertise and capability to determine whether a taxpayer has “implemented” a “transportation demand management strategy.” DOTAX notes that the term “implement” is not defined, although it is a key qualifier regarding eligibility to claim the tax credit under section 235-_(b). Also, it is not clear whether HDOT’s approval is required to claim the tax credit under section 235-_(c). This may create ambiguity as to whether a particular strategy qualifies for the tax credit. For

example, a taxpayer could argue that even if HDOT has not approved the taxpayer's strategy, the taxpayer has "implemented" it, and should therefore be allowed to claim the tax credit. DOTAX recommends amending the bill to clarify when a taxpayer would qualify for the tax credit, in consideration of these points.

Second, DOTAX notes that subsection (e) provides an administrative challenge because it would require DOTAX to validate whether and to what extent an employer has made certain "alternative transportation options" available to all its employees who are employed in the State. The term "alternative transportation option" is undefined. Further, an employer is allowed to claim the tax credit, even if certain employees choose not to avail themselves of any of the options the employer has made available. This could prevent opportunities for waste, fraud, and abuse, as a taxpayer could claim the tax credit even if none of its employees avail themselves of such options.

Third, DOTAX notes that the bill's duplication of subsections (d) and (e) may be typos, as this bill would already add new subsections with these designations.

Fourth, DOTAX recommends adding language to guard against a taxpayer receiving a double benefit based on the same claimed costs, as follows:

"No taxpayer that claims a credit under this section shall claim a deduction or any other credit for the same qualified costs under this chapter."

Fifth, DOTAX recommends making the credit amount equal to a percentage of costs incurred by the taxpayer to discourage waste and abuse.

Finally, if the bill is amended to address these concerns, DOTAX would be able to administer the bill for taxable years beginning after December 31, 2027, as this will allow sufficient time to prepare forms, make system changes, and inform taxpayers.

Thank you for the opportunity to provide comments on this measure.



Testimony of the Oahu Metropolitan Planning Organization

Committee on Transportation

February 5, 2026 at 9:30AM

Conference Room 430

HB 2392

Relating to Taxation

Dear Chair Kila, Vice Chair Miyake, and Committee Members,

The Oahu Metropolitan Planning Organization (OahuMPO) **supports HB 2392**, which establishes the alternative transportation options tax credit for employers that offer transportation demand management strategies to employees who commute using a method other than single occupancy vehicle and authorizes rulemaking.

This bill is consistent with several goals of the Oahu Regional Transportation Plan including support for active and public transportation, promoting an equitable transportation system, and improving air quality and protecting environmental and cultural assets.¹ Establishing an alternative transportation options tax credit encourages employers to provide incentives to employees to choose more active and shared modes of transportation. This will help offset the significant subsidies allotted to those employees who choose to drive alone to work. Further, more comprehensive transportation benefits can help employees save on their transportation costs, reduce transportation emissions and traffic congestion, and improve employee transportation choices

The OahuMPO supports the intention of the bill, and would like to make the following recommendation to further improve the bill, to support those using bikeshare to commute to work:

1. Add the following language that would authorize a tax credit for businesses that support employees using bikeshare. The OahuMPO recommends the following changes to section 2(c), in **red**:

" A transportation demand management strategy is generally accepted if it is approved by the department of transportation as confirmed through rulemaking

¹ https://oahumpo.org/?wpfb_dl=2215

pursuant to chapter 91. Approved transportation demand management strategies include, but are not limited to, the following:

- (1) Using public transit;
- (2) Carpooling;
- (3) Bicycling;
- (4) Using bikeshare;**
- (5) Walking;
- (6) Telework and flexible work arrangements.”

The State Climate Commission’s 2022 Drivers of vehicle miles traveled (VMT) in Hawai‘i Report provides an analysis of recent trends in VMT by road type, place type, and trip length to identify the key drivers of those trends, as well as key strategies that can be implemented at the state and local level to manage future VMT growth or lower VMT. The report stated that free or discounted parking is one of the most compelling incentives for employees to drive to work, and incentives for transit, ridesharing, and other alternatives to driving can have the opposite effect. Examples of improved commuter benefits include: transit subsidies, shuttles, ride sharing programs, bicycle amenities like showers and lockers, on-site services like daycare and dining, and policies that pass along parking costs directly to employees, such as parking fees or cashout programs. Comprehensive commuter benefits are identified as having the potential to decrease VMT by 10%.¹

The 2022 Hawai‘i Department of Transportation’s Statewide Transportation Plan cites the implementation of transportation demand management strategies as key to reducing funding needs.² By reducing the demand on the transportation system, potential needs could be reduced without investing directly into the transportation network. The Plan cites strategies related to making biking, walking, transit, rideshare more attractive, as well as flexible schedules and an increase in teleworking.³

The 2021 O‘ahu General Plan sets countywide guidelines, values, and principles for subsequent community-level and countywide functional plans, programs, and legislation to set specific targets and determine implementing actions. The Plan includes a policy goal to reduce traffic congestion and maximize the efficient use of transportation resources by pursuing transportation demand management strategies such as carpooling, telecommuting, flexible work schedules, and incentives to use alternative travel modes.⁴

The 2024 Honolulu Transportation Demand Management (TDM) Plan identifies the City’s overarching goals for TDM delivery, outlines existing conditions, explores best practices, and provides recommendations to guide the establishment of a fully functioning, feasible TDM program.⁵ The plan includes strategies aimed at improving

Citywide multimodal efforts and TDM education, including education of business owners.⁶

The OahuMPO is the federally designated Metropolitan Planning Organization (MPO) on the island of Oahu responsible for carrying out a multimodal transportation planning process, including the development of a long-range (25-year horizon) metropolitan transportation plan, referred to as the Oahu Regional Transportation Plan (ORTP), which encourages and promotes a safe, efficient, and resilient transportation system that serves the mobility needs of all people and freight (including walkways, bicycles, and transit), fosters economic growth and development, while minimizing fuel consumption and air pollution ([23 CFR 450.300](#)).

Thank you for the opportunity to provide testimony on this measure.

TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Tax Credit for Employers Offering Transportation Demand Management Strategies

BILL NUMBER: HB 2392

INTRODUCED BY: ALCOS, GARCIA, HUSSEY, KILA, MATSUMOTO, PIERICK, REYES ODA, SHIMIZU

EXECUTIVE SUMMARY: Establishes the alternative transportation options tax credit for employers that offer transportation demand management strategies to employees who commute using a method other than single occupancy vehicle. Authorizes rulemaking.

SYNOPSIS: Adds a new section to chapter 235, HRS, establishing the Alternative Transportation Options Tax Credit. To qualify, an employer must have a place of business in the State and implement a transportation demand management strategy.

Acceptable transportation demand strategies include:

- (1) Using public transportation;
- (2) Carpooling;
- (3) Bicycling;
- (4) Walking; and
- (5) Telework and flexible work arrangements.

They do not include:

- (1) Real property or improvements to real property;
- (2) Electric vehicle charging for vehicles other than carpool, vanpool, ridesharing, or last-mile shuttle vehicles;
- (3) Vehicles provided for employees to travel among work or client sites;
- (4) Vehicles provided to employees as a fringe benefit;
- (5) Prearranged rides or other transportation for employee travel unrelated to the employee's commute to or from the employee's place of employment from or to the employee's home; and
- (6) Transportation to special events, such as infrequent or non-mandatory events.

EFFECTIVE DATE: Taxable years beginning after December 31, 2026.

STAFF COMMENTS: First, the bill is missing a few things. The bill needs to specify the amount of the credit, or how it is to be calculated; for example, 10% of what the employer has spent on the transportation demand management strategy. Second, the bill needs to specify whether the credit is refundable or nonrefundable, and, if the latter, whether unused credit is lost, can be carried forward, or both (if, for example, it can be carried over two years, for example, and then disappears).

Second, in a time when the State is in financial distress it is less advisable to offer tax credits as opposed to grants or subsidies. With a grant or subsidy program, an agency is reviewing each claim so the State knows what it is paying for and there is a prearranged limit, namely the amount of money appropriated for the program. With a tax credit program, a prearranged limit is difficult to administer; this bill does not contain one. Thus, the State's exposure to claims, legitimate or otherwise, can only be guessed. Furthermore, creative taxpayers may argue that they meet the criteria in the credit even though lawmakers might not have thought about it at the time; this would not be known unless and until the creative taxpayers are audited.

Digested: 2/3/2026

HB-2392

Submitted on: 2/3/2026 10:44:44 AM

Testimony for TRN on 2/5/2026 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Keoni Shizuma	Individual	Support	Written Testimony Only

Comments:

Aloha,

I am writing in support of this bill.

To improve the safety of our roads and to better manage our negative effects on the climate, we need to be doing more than just pushing forward with electric vehicles.

I agree we need to work on the “demand” side of the equation – the need to drive, and if employers do their part in addressing it, by adjusting work conditions – like flexible working arrangements allowing employees to work from home, we will greatly improve the overcrowding of our roads and improve conditions, as well as lessen the harm we’re doing to the environment with vehicular emissions. We saw this during COVID, with less vehicles driving on the road, our roads and environments improved. We managed business for a couple of years working from home, there is no reason we shouldn’t be doing that more today, post-covid.

Mahalo for your consideration,

Keoni Shizuma