
A BILL FOR AN ACT

RELATING TO THE PRETAX TRANSPORTATION BENEFIT.

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

1 SECTION 1. The legislature finds that the department of
2 human resources development currently operates a pretax
3 transportation benefit pilot program in the city and county of
4 Honolulu for any employee of the state government who:

5 (1) Is an employee of the State executive branch
6 (excluding the department of education) who is
7 eligible to participate in the State of Hawaii
8 employees' retirement system;

9 (2) Lives and works on Oahu; and

10 (3) Does not have parking in a state-controlled lot with a
11 parking payroll deduction.

12 The pilot program is operated under the State's qualified
13 transportation fringe benefit plan, in accordance with section
14 132(f) of the Internal Revenue Code, and authorized under the
15 federal Transportation Equity Act for the 21st Century for
16 eligible State of Hawaii executive branch employees. This means
17 that eligible employees may purchase public bus passes, Handi-
18 Van fare coupons, and vouchers for the cost of their vanpool



1 Hawaii seat fares through payroll deductions before federal,
2 State, and Federal Insurance Contributions Act taxes are
3 withheld, thereby increasing their take-home pay. In other
4 words, an eligible employee on Oahu may authorize the State to
5 have the employee's bus pass expense, the cost of a preset
6 amount of Handi-Van fare coupons, or vanpool Hawaii seat fees
7 deducted from the employee's paycheck on a pretax basis. The
8 State, as employer, will purchase bus passes, Handi-Van fare
9 coupons, or vouchers redeemable with vanpool Hawaii to cover
10 seat fees for eligible employees and distribute them to eligible
11 employees on a monthly basis. As of June 2008, the enrollment
12 for senior and disability annual bus passes was also included in
13 the pilot program.

14 The duration of the pilot program is determined by the
15 director of human resources development, and as of 2008, the
16 maximum allowance per month for combined commuter highway
17 vehicle transportation and transit pass expenses was \$115.

18 The savings for each employee will vary depending on the
19 employee's tax bracket. For example, based on an annual salary
20 of \$24,000, a tax savings of \$138.24, \$253.68, or \$181.53 can be
21 gained through participation in the pilot transportation benefit



1 plan for eligible employees who buy bus passes, ride the Handi-
2 Van, or carpool via vanpool Hawaii, respectively.

3 The legislature finds that the pilot program has been
4 successful on Oahu and should be expanded to other jurisdictions
5 of the State.

6 The purpose of this Act is to allow the chief executive of
7 certain jurisdictions of the state, including the counties, to
8 establish a wage and salary reduction benefit program which
9 qualifies as a pretax transportation benefit program within the
10 meaning of section 132 of the Internal Revenue Code of 1986, as
11 amended.

12 SECTION 2. Chapter 78, Hawaii Revised Statutes, is amended
13 by adding a new section to be appropriately designated and to
14 read as follows:

15 "§78- Pretax transportation benefit program. (a) Each
16 chief executive may establish a wage and salary reduction
17 benefit program which qualifies as a pretax transportation
18 benefit program within the meaning of section 132 of the
19 Internal Revenue Code of 1986, as amended. The pretax
20 transportation benefit program shall allow eligible employees to
21 elect to reduce their pretax compensation in return for payment
22 by the jurisdiction of the expenses of eligible benefits.



1 (b) In addition to any other powers and duties authorized
2 by law, each chief executive may enter into all contracts
3 necessary to establish, administer, or maintain the pretax
4 transportation benefit programs."

5 SECTION 3. New statutory material is underscored.

6 SECTION 4. This Act shall take effect upon its approval.



Report Title:

Pretax Transportation Benefit; Statewide

Description:

Allows the chief executive of certain jurisdictions of the State, including the counties, to establish a wage and salary reduction benefit program which qualifies as a pretax transportation benefit program within the meaning of section 132 of the Internal Revenue Code. Authorizes the chief executive to enter into all contracts necessary to establish, administer, and maintain such a program. (HB2254 HD1)

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