
A BILL FOR AN ACT

RELATING TO 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-

1 Van fare coupons, and vouchers for the cost of their vanpool
2 Hawaii seat fees through payroll deduction before federal,
3 State, and FICA taxes are withheld, thereby increasing their
4 take-home pay. In other words, an eligible employee on Oahu may
5 authorize the State to have the employee's bus pass expense, the
6 cost of a preset amount of Handi-Van fare coupons, or vanpool
7 Hawaii seat fees deducted from the employee's paycheck on a
8 pretax basis. The State, as employer, will purchase bus passes,
9 Handi-Van fare coupons, or vouchers redeemable with vanpool
10 Hawaii to cover seat fees for eligible employees and distribute
11 them to eligible employees on a monthly basis. As of June 2008,
12 enrollment for senior and disability annual bus passes is also
13 included in 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 allowable per month for combined commuter highway
17 vehicle transportation and transit pass expenses is \$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. The purpose of this Act is to require the director
5 of human resources development to make the program permanent and
6 to expand the pilot program to islands having a public transit
7 system, and to employees of the legislature residing in counties
8 having a population of over 500,000 persons.

9 SECTION 2. **Pretax transportation benefit program;**
10 **permanent; statewide; reports.** (a) The director of human
11 resources development shall adopt rules in accordance with
12 chapter 91, Hawaii Revised Statutes, to:

13 (1) Expand the pilot pretax transportation benefit program
14 to operate on all islands that have a public transit
15 system, and to employees of the legislature residing
16 in counties having a population of over 500,000
17 persons; and

18 (2) Make the pretax transportation benefit program
19 permanent.

20 (b) No later than December 31, 2009, the director of human
21 resources development shall submit an interim report to the
22 legislature detailing the department's progress in implementing

1 subsection (a). No later than December 31 of each year
2 thereafter, the director of human resources development shall
3 report findings and recommendations to the legislature regarding
4 the operation of the permanent pretax transportation benefit
5 program for eligible employees.

6 SECTION 3. This Act shall take effect upon its approval.

Report Title:

Pretax Transportation Benefit; Statewide

Description:

Requires director of human resources development to expand the pretax transportation benefit pilot program to islands having a public transit system and to employees of the legislature residing in counties having a population of over 500,000 persons. Makes program permanent. (SD1)