

ACT 45

H.B. NO. 2254

A Bill for an Act Relating to the Pretax Transportation Benefit.

Be It Enacted by the Legislature of the State of Hawaii:

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

- (1) Is an employee of the State executive branch (excluding the department of education) who is eligible to participate in the State of Hawaii employees' retirement system;
- (2) Lives and works on Oahu; and
- (3) Does not have parking in a state-controlled lot with a parking payroll deduction.

The pilot program is operated under the State's qualified transportation fringe benefit plan, in accordance with section 132(f) of the Internal Revenue Code, and authorized under the federal Transportation Equity Act for the 21st Century for eligible State of Hawaii executive branch employees. This means that eligible employees may purchase public bus passes, Handi-Van fare coupons, and vouchers for the cost of their vanpool Hawaii seat fares through payroll deductions before federal, State, and Federal Insurance Contributions Act taxes are withheld, thereby increasing their take-home pay. In other words, an eligible employee on Oahu may authorize the State to have the employee's bus pass expense, the cost of a preset amount of Handi-Van fare coupons, or vanpool Hawaii seat fees deducted from the employee's paycheck on a pretax basis. The State, as employer, will purchase bus passes, Handi-Van fare coupons, or vouchers redeemable with vanpool Hawaii to cover seat fees for eligible employees and distribute them to eligible employees on a monthly basis. As of June 2008, the enrollment for senior and disability annual bus passes was also included in the pilot program.

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

The savings for each employee will vary depending on the employee's tax bracket. For example, based on an annual salary of \$24,000, a tax savings of \$138.24, \$253.68, or \$181.53 can be gained through participation in the pilot transportation benefit plan for eligible employees who buy bus passes, ride the Handi-Van, or carpool via vanpool Hawaii, respectively.

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

The purpose of this Act is to allow 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 of 1986, as amended.

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

“§78- Pretax transportation benefit program. (a) Each chief executive may 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 of 1986, as amended. The pretax transportation benefit program shall allow eligible employees to elect to reduce their pretax compensation in return for payment by the jurisdiction of the expenses of eligible benefits.

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

SECTION 3. New statutory material is underscored.¹

SECTION 4. This Act shall take effect upon its approval.
(Approved April 23, 2012.)

Note

1. Edited pursuant to HRS §23G-16.5.