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# A BILL FOR AN ACT

RELATING TO TAXATION OF POLLUTION.

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

1           SECTION 1. The goal of this Act is to reduce Hawaii's  
2 greenhouse gas emissions in furtherance of the State's zero  
3 emissions clean economy target established in Act 15, Session  
4 Laws of Hawaii 2018, and to provide financial relief in a  
5 progressive manner to the residents of the State. To achieve  
6 this goal, this Act establishes a carbon cashback program that  
7 utilizes:

8           (1) The environmental response, energy, and food security  
9 tax to reduce greenhouse gas emissions; and

10           (2) Refundable tax credits to distribute the proceeds of  
11 the tax in equal shares to taxpayers of the State, who  
12 will bear the brunt of the expected increase in costs  
13 of fossil fuel products.

14           One of the tools available for reducing greenhouse gas  
15 emissions is to tax fossil fuels. When the tax is sufficient,  
16 it has been proven to be effective in substantially reducing  
17 consumption. Hawaii has a thirty-year history of assessing a



1 tax on fossil fuel distributors for fossil fuel distribution in  
2 the State. However, the existing tax rate is not designed to  
3 reduce consumption, but rather to generate funding to mitigate  
4 some of the risks and adverse impacts of fossil fuel use and  
5 climate change. This Act raises the tax in increments,  
6 gradually increasing its effect in reducing the consumption of  
7 fossil fuels.

8 The environmental response tax was established by Act 300,  
9 Session Laws of Hawaii 1993. Initially, the tax rate for  
10 petroleum products was five cents per barrel. The tax revenue  
11 was used to:

- 12 (1) Prevent, remove, and remediate oil spills;
  - 13 (2) Support oil recycling programs; and
  - 14 (3) Address concerns related to underground storage tanks.
- 15 Later, Act 73, Session Laws of Hawaii 2010, increased the tax to  
16 \$1.05 per barrel and renamed the tax the environmental response,  
17 energy, and food security tax. Act 73 also expanded the purpose  
18 of the tax by funding activities that mitigate the adverse  
19 impacts of climate change.

20 The legislature finds that a policy that taxes fossil fuels  
21 based on their emissions, often called a carbon tax, and returns



1 to people the revenues, commonly known as dividends, has  
2 received broad support from economists. More than three  
3 thousand six hundred economists have signed a statement  
4 endorsing the carbon tax and dividend concept, including  
5 twenty-eight Nobel Laureate economists, four former Chairs of  
6 the Federal Reserve, and fifteen former Chairs of the Council of  
7 Economic Advisors.

8 The statement reads, in part, "[a] carbon tax offers the  
9 most cost-effective lever to reduce carbon emissions at the  
10 scale and speed that is necessary." The statement goes on to  
11 say that the carbon tax should be increased until emission  
12 reduction goals are met. It continues by stating, "[t]o  
13 maximize the fairness and political viability of a rising carbon  
14 tax, all the revenue should be returned directly to U.S.  
15 citizens through equal lump-sum rebates. The majority of  
16 American families, including the most vulnerable, will benefit  
17 financially by receiving more in 'carbon dividends' than they  
18 pay in increased energy prices."

19 In accordance with Act 122, Session Laws of Hawaii 2019,  
20 the state energy office commissioned "a study of carbon pricing,  
21 including whether and how a carbon pricing policy shall be



1 implemented in Hawaii". In April 2021, the University of Hawaii  
2 Economic Research Organization (UHERO) completed the study in  
3 April 2021, entitled, "Carbon Pricing Assessment for Hawaii:  
4 Economic and Greenhouse Gas Impacts". The study concluded that  
5 a carbon tax and dividend policy would substantially reduce the  
6 consumption of fossil fuels, and most of Hawaii's households  
7 would receive a net financial benefit, with lower-income  
8 households gaining the most.

9 This Act expands the purpose of the environmental response,  
10 energy, and food security tax in order to effectively reduce  
11 greenhouse gas emissions, and renames the tax as the  
12 environmental response, energy, carbon emissions, and food  
13 security tax. The increase in the tax under this Act is  
14 informally referred herein as the "carbon emissions tax" for  
15 descriptive purposes and to distinguish it from the existing tax  
16 rate. The carbon emissions tax rates are derived from the low  
17 tax scenario considered in the UHERO study, updated for  
18 inflation. The tax rates in the UHERO study, which are  
19 expressed in dollars per metric ton of carbon dioxide  
20 equivalent, are converted to the units used in the environmental  
21 response, energy, carbon emissions, and food security tax, which



1 are dollars per barrel for petroleum products and dollars per  
2 million British thermal units for other types of fossil fuels,  
3 such as natural gas. The carbon dioxide equivalent factors for  
4 petroleum and non-petroleum fossil fuels include the emissions  
5 of carbon dioxide, methane, and nitrous oxide. These emission  
6 factors are taken from the United States Environmental  
7 Protection Agency's Emission Factors for Greenhouse Gas  
8 Inventories (modified April 1, 2021).

9       The progression of the increase in the carbon emissions tax  
10 differs from that which is considered in the UHERO study by  
11 starting lower in the initial year to avoid a sudden large  
12 increase in prices, then increasing until the tenth year of  
13 implementation, when it approximates the rate considered in the  
14 UHERO study at that point. From that year forward, the annual  
15 increase in the tax only accounts for expected inflation. Each  
16 year, taxpayers of the State will receive, in the form of  
17 refundable tax credits, a total amount equivalent to the  
18 expected carbon emissions tax revenue from the previous year,  
19 less an amount needed to administer the program, including a  
20 public awareness campaign. Every individual taxpayer will be



1 eligible for the same refundable tax credit in any particular  
2 year, and every dependent will be eligible for half that amount.

3       The following illustrates how the carbon emissions tax and  
4 refundable tax credits will progress. In the first year of  
5 implementation, 2026, the carbon emissions tax is \$0.05 per  
6 gallon for petroleum products, and the refundable tax credit is  
7 \$40 per individual taxpayer and \$20 per dependent, available the  
8 following year when the tax return is filed. In the fifth year,  
9 2030, the carbon emissions tax is \$0.40 per gallon, and the  
10 refundable tax credit is \$283 per individual taxpayer and \$141  
11 per dependent. In 2035, when the refundable tax credit peaks,  
12 the carbon emissions tax is \$0.90 per gallon, and the refundable  
13 tax credit is \$473 per individual taxpayer and \$237 per  
14 dependent.

15       This Act also reenacts the agricultural development and  
16 food security special fund, which was repealed in 2021. At that  
17 time, the State found itself in a budget crisis due to a  
18 reduction in the general fund, as a result of the coronavirus  
19 disease 2019 (COVID-19) pandemic. Moneys from the repealed  
20 agricultural development and food security special fund were  
21 used to fortify the general fund. The legislature finds that



1 the State is now in a more stable financial condition. The  
2 legislature further finds that agriculture and food security are  
3 just as critical to Hawaii's future as ever, and for those  
4 reasons the special fund is reenacted.

5 Accordingly, the purpose of this Act is to:

6 (1) Establish a carbon cashback program by:

7 (A) Amending the environmental response, energy, and  
8 food security tax to address carbon emissions;

9 and

10 (B) Establishing a refundable tax credit to mitigate  
11 the effect of the tax on carbon emissions for  
12 Hawaii's taxpayers; and

13 (2) Reenact the agricultural development and food security  
14 special fund.

15 SECTION 2. Chapter 141, Hawaii Revised Statutes, is  
16 amended by adding a new section to be appropriately designated  
17 and to read as follows:

18 **"§141- Agricultural development and food security**

19 **special fund; establishment.** (a) There is established within  
20 the state treasury the agricultural development and food  
21 security special fund.



1        (b) The following moneys shall be deposited into the  
2 special fund:

3        (1) The portion of the environmental response, energy,  
4 carbon emissions, and food security tax specified  
5 under section 243-3.5;

6        (2) Any appropriation by the legislature into the special  
7 fund;

8        (3) Any grant or donation made to the special fund; and

9        (4) Any interest earned on the balance of the special  
10 fund.

11       (c) Subject to legislative appropriation, moneys in the  
12 special fund may be expended for the following purposes:

13       (1) The awarding of grants to farmers for agricultural  
14 production or processing activity;

15       (2) The acquisition of real property for agricultural  
16 production or processing activity;

17       (3) The improvement of real property, irrigation systems,  
18 and transportation networks necessary to promote  
19 agricultural production or processing activity;

20       (4) The purchase of equipment necessary for agricultural  
21 production or processing activity;





- 1        (5) The conduct of research on and testing of agricultural  
2                    products and markets;
- 3        (6) The funding of agricultural inspector positions within  
4                    the department of agriculture;
- 5        (7) The promotion and marketing of agricultural products  
6                    grown or raised in the State; and
- 7        (8) Any other activity that is intended to increase  
8                    agricultural production or processing and that may  
9                    lead to reduced importation of food, fodder, or feed  
10                   from outside the State.
- 11        (d) No later than twenty days prior to the convening of  
12 each regular session, the department of agriculture shall submit  
13 a report to the legislature on the status and progress of  
14 existing programs and activities and the status of new programs  
15 and activities funded under the agricultural development and  
16 food security special fund. The report shall also include:
- 17        (1) The spending plan of the agricultural development and  
18                    food security special fund;
- 19        (2) All expenditures of agricultural development and food  
20                    security special fund moneys;



- 1        (3) The targeted markets of the expenditures, including
- 2                reasons for selecting those markets;
- 3        (4) The persons to be served using the expenditures; and
- 4        (5) The specific objectives of the expenditures, including
- 5                measurable outcomes."

6        SECTION 3. Chapter 231, Hawaii Revised Statutes, is  
7 amended by adding a new section to be appropriately designated  
8 and to read as follows:

9        "§231-        Carbon emissions tax and dividend special fund.

10        (a) There is established the carbon emissions tax and dividend  
11 special fund, into which shall be deposited the amount specified  
12 by section 243-3.5.

13        (b) Moneys in the carbon emissions tax and dividend  
14 special fund shall be administered by the department of taxation  
15 and shall be expended for salaries, contracted services,  
16 supplies, and other administrative expenses to:

- 17        (1) Administer the environmental response, energy, carbon
- 18                emissions, and food security tax;
- 19        (2) Administer the refundable tax credits established by
- 20                section 235-        ; and



1       (3) Increase public awareness and interest in the  
 2           refundable tax credits established by  
 3           section 235- ."

4       SECTION 4. Chapter 235, Hawaii Revised Statutes, is  
 5 amended by adding a new section to part III to be appropriately  
 6 designated and to read as follows:

7       "§235- Carbon cashback tax credit. (a) There shall be  
 8 allowed to each qualifying taxpayer subject to the tax imposed  
 9 under this chapter, a carbon cashback tax credit that shall be  
 10 applied against the taxpayer's net income tax liability, if any,  
 11 imposed by this chapter for the taxable year in which the credit  
 12 is properly claimed.

13       (b) The amount of the tax credit shall be equal to the sum  
 14 of the following:

15       (1) Amount based on taxpayer's filing status:

16       (A) For taxpayers filing as single or married filing  
 17           separately:

18           \$40 for 2026

19           \$80 for 2027

20           \$154 for 2028

21           \$222 for 2029



1                    \$283 for 2030  
2                    \$335 for 2031  
3                    \$380 for 2032  
4                    \$418 for 2033  
5                    \$449 for 2034  
6                    \$473 for 2035  
7                    \$473 for 2036  
8                    \$471 for 2037  
9                    \$469 for 2038  
10                   \$466 for 2039  
11                   \$462 for 2040  
12                   \$442 for 2041  
13                   \$421 for 2042  
14                   \$397 for 2043  
15                   \$373 for 2044  
16                   \$346 for 2045;  
17                   (B) For taxpayers filing as a head of household:  
18                   \$40 for 2026  
19                   \$80 for 2027  
20                   \$154 for 2028  
21                   \$222 for 2029



1                   \$283 for 2030  
2                   \$335 for 2031  
3                   \$380 for 2032  
4                   \$418 for 2033  
5                   \$449 for 2034  
6                   \$473 for 2035  
7                   \$473 for 2036  
8                   \$471 for 2037  
9                   \$469 for 2038  
10                  \$466 for 2039  
11                  \$462 for 2040  
12                  \$442 for 2041  
13                  \$421 for 2042  
14                  \$397 for 2043  
15                  \$373 for 2044  
16                  \$346 for 2045; and  
17                  (C) For taxpayers filing a joint return or as a  
18                  surviving spouse:  
19                  \$83 for 2026  
20                  \$161 for 2027  
21                  \$309 for 2028



1                    \$444 for 2029  
2                    \$565 for 2030  
3                    \$670 for 2031  
4                    \$760 for 2032  
5                    \$836 for 2033  
6                    \$898 for 2034  
7                    \$946 for 2035  
8                    \$946 for 2036  
9                    \$943 for 2037  
10                   \$939 for 2038  
11                   \$932 for 2039  
12                   \$925 for 2040  
13                   \$885 for 2041  
14                   \$841 for 2042  
15                   \$795 for 2043  
16                   \$745 for 2044  
17                   \$693 for 2045; and

18            (2) Amount per dependent claimed:

19                   \$20 for 2026  
20                   \$40 for 2027  
21                   \$77 for 2028



1           \$111 for 2029  
2           \$141 for 2030  
3           \$167 for 2031  
4           \$190 for 2032  
5           \$209 for 2033  
6           \$225 for 2034  
7           \$237 for 2035  
8           \$236 for 2036  
9           \$236 for 2037  
10          \$235 for 2038  
11          \$233 for 2039  
12          \$231 for 2040  
13          \$221 for 2041  
14          \$210 for 2042  
15          \$199 for 2043  
16          \$186 for 2044  
17          \$173 for 2045.

18          (c) If the tax credit claimed by the taxpayer under this  
19 section exceeds the amount of the income tax payments due from  
20 the taxpayer, the excess of credit over payments due shall be  
21 refunded to the taxpayer; provided that the tax credit properly



1 claimed by a taxpayer who has no income tax liability shall be  
2 paid to the taxpayer; and provided further that no refunds or  
3 payments on account of the tax credit allowed by this section  
4 shall be made for amounts less than \$1.

5 All claims for the tax credit under this section, including  
6 amended claims, shall be filed on or before the end of the  
7 twelfth month following the close of the taxable year for which  
8 the credit may be claimed. Failure to comply with the foregoing  
9 provision shall constitute a waiver of the right to claim the  
10 credit.

11 (d) The director of taxation:

12 (1) Shall prepare any forms that may be necessary to claim  
13 a tax credit under this section;

14 (2) May require the taxpayer to furnish reasonable  
15 information to ascertain the validity of the claim for  
16 the tax credit made under this section; and

17 (3) May adopt rules under chapter 91 necessary to  
18 effectuate the purposes of this section.

19 (e) All of the provisions relating to assessments and  
20 refunds under this chapter and under section 231-23(c)(1) shall  
21 apply to the tax credit under this section.





1        (f) As used in this section, "qualifying taxpayer" means a  
2 person subject to the taxes imposed by this chapter.  
3 "Qualifying taxpayer" shall not include any person who is  
4 claimed or is otherwise eligible to be claimed as a dependent by  
5 another taxpayer for federal or Hawaii state individual income  
6 tax purposes."

7        SECTION 5. Section 128D-2, Hawaii Revised Statutes, is  
8 amended by amending subsection (a) to read as follows:

9        "(a) There is created within the state treasury an  
10 environmental response revolving fund, which shall consist of  
11 moneys appropriated to the fund by the legislature, moneys paid  
12 to the fund as a result of departmental compliance proceedings,  
13 moneys paid to the fund pursuant to court-ordered awards or  
14 judgments, moneys paid to the fund in court-approved or  
15 out-of-court settlements, all interest attributable to  
16 investment of money deposited in the fund, moneys deposited in  
17 the fund from the environmental response, energy, carbon  
18 emissions, and food security tax pursuant to section 243-3.5,  
19 and moneys allotted to the fund from other sources."

20        SECTION 6. Section 201-12.8, Hawaii Revised Statutes, is  
21 amended by amending subsection (a) to read as follows:



1           "(a) There is created within the state treasury an energy  
2 security special fund, which shall consist of:

- 3           (1) The portion of the environmental response, energy,  
4                 carbon emissions, and food security tax specified  
5                 under section 243-3.5;
- 6           (2) Moneys appropriated to the fund by the legislature;
- 7           (3) All interest attributable to investment of money  
8                 deposited in the fund; and
- 9           (4) Moneys allotted to the fund from other sources,  
10                including under section 196-6.5."

11           SECTION 7. Section 243-3.5, Hawaii Revised Statutes, is  
12 amended to read as follows:

13           "**§243-3.5 Environmental response, energy, carbon**  
14 **emissions, and food security tax; uses.** (a) In addition to any  
15 other taxes provided by law, subject to the exemptions set forth  
16 in section 243-7, there is hereby imposed a state environmental  
17 response, energy, carbon emissions, and food security tax on  
18 each barrel or fractional part of a barrel of petroleum product  
19 sold by a distributor to any retail dealer or end user of  
20 petroleum product, other than a refiner. The tax [~~shall be~~  
21 ~~\$1.05~~] on each barrel or fractional part of a barrel of



1 petroleum product [~~that is not aviation fuel; provided that of~~  
2 ~~the tax collected pursuant to this subsection;~~] shall be in the  
3 amounts provided for each year as follows:

4 2026: \$3.15;

5 2027: \$5.25;

6 2028: \$9.45;

7 2029: \$13.65;

8 2030: \$17.85;

9 2031: \$22.05;

10 2032: \$26.25;

11 2033: \$30.45;

12 2034: \$34.65;

13 2035: \$38.85;

14 2036: \$40.11; and

15 the tax shall be increased by \$1.26 each year thereafter.

16 The tax for each year referenced above shall take effect on  
17 January 1 of that year and shall continue until the effective  
18 date of the next increment.

19 The tax imposed by this subsection shall be paid by the  
20 distributor of the petroleum product.



1        (b) Tax revenues collected pursuant to subsection (a)  
2 shall be distributed in the following priority each fiscal year,  
3 with the excess revenues to be deposited into the general fund:

4        (1) [~~5 cents of the tax on each barrel~~] \$1,201,000 shall  
5        be deposited into the environmental response revolving  
6        fund established under section 128D-2;

7        (2) [~~4 cents of the tax on each barrel~~] \$892,800 shall be  
8        deposited into the energy security special fund  
9        established under section 201-12.8;

10       (3) [~~5 cents of the tax on each barrel~~] \$1,116,000 shall  
11       be deposited into the energy systems development  
12       special fund established under section 304A-2169.1;

13       (4) [~~3 cents of the tax on each barrel~~] \$669,600 shall be  
14       deposited into the electric vehicle charging system  
15       subaccount established pursuant to section 269-33(e);  
16       [and]

17       (5) [~~3 cents of the tax on each barrel~~] \$669,600 shall be  
18       deposited into the hydrogen fueling system subaccount  
19       established pursuant to section 269-33(f) [~~+~~];



1        (6) \$3,000,000 shall be deposited into the agricultural  
2                    development and food security special fund established  
3                    under section 141-     ;

4        (7) \$1,000,000 shall be deposited into the carbon  
5                    emissions tax and dividend special fund established  
6                    under section 231-     ;

7        (8) All taxes paid on gasoline or other aviation fuel sold  
8                    for use in or used for airplanes shall be deposited in  
9                    the airport revenue fund established under section  
10                   248-8 to reduce carbon emissions; and

11       (9) All taxes paid on gasoline, diesel, or other fuel sold  
12                   for use in or used for small boats shall be deposited  
13                   in the boating special fund established under  
14                   section 248-8.

15        [~~The tax imposed by this subsection shall be paid by the~~  
16 ~~distributor of the petroleum product.~~

17        ~~(b)]~~ (c) In addition to subsection (a), the environmental  
18 response, energy, carbon emissions, and food security tax shall  
19 also be imposed on each one million British thermal units of  
20 fossil fuel sold by a distributor to any retail dealer or end  
21 user, other than a refiner, of fossil fuel. The tax [~~shall be~~



1 ~~19 cents]~~ on each one million British thermal units of fossil  
2 fuel[~~; provided that of the tax collected pursuant to this~~  
3 ~~subsection:] shall be in the amounts provided for each year as~~  
4 follows:

5 2026: \$0.49;

6 2027: \$0.79;

7 2028: \$1.39;

8 2029: \$1.99;

9 2030: \$2.59;

10 2031: \$3.19;

11 2032: \$3.79;

12 2033: \$4.39;

13 2034: \$4.99;

14 2035: \$5.59;

15 2036: \$5.77; and

16 the tax shall be increased by \$0.18 on each one million British  
17 thermal units of fossil fuel each year thereafter.

18 The tax for each year referenced above shall take effect on  
19 January 1 of that year and shall continue until the effective  
20 date of the next increment.



1        The tax imposed by this subsection shall be paid by the  
2 distributor of the fossil fuel.

3        (d) Tax revenues collected pursuant to subsection (c)  
4 shall be distributed in the following priority each fiscal year,  
5 with the excess revenues to be deposited into the general fund:

6        (1) [~~4.8 per cent of the tax on each one million British~~  
7 ~~thermal units~~] \$49,000 shall be deposited into the  
8 environmental response revolving fund established  
9 under section 128D-2;

10       (2) [~~14.3 per cent of the tax on each one million British~~  
11 ~~thermal units~~] \$147,000 shall be deposited into the  
12 energy security special fund established under section  
13 201-12.8; and

14       (3) [~~9.5 per cent of the tax on each one million British~~  
15 ~~thermal units~~] \$98,000 shall be deposited into the  
16 energy systems development special fund established  
17 under section 304A-2169.1.

18       [~~The tax imposed by this subsection shall be paid by the~~  
19 ~~distributor of the fossil fuel.~~

20       ~~(e)]~~ (e) The tax imposed under subsection [~~(b)]~~ (c) shall  
21 not apply to coal used to fulfill [~~a signed~~] an existing power



1 purchase agreement between an independent power producer and an  
2 electric utility that is in effect as of June 30, 2015~~(-)~~;  
3 provided that this exemption from taxation shall not apply to  
4 any extension of an existing power purchase agreement or to any  
5 subsequent power purchase agreement. An independent power  
6 producer shall be permitted to pass the tax imposed under  
7 subsection ~~(b)~~ (c) on to an electric utility. In ~~which~~  
8 ~~case,~~ any case in which the tax is passed on, the electric  
9 utility may recover the cost of the tax through an appropriate  
10 surcharge to the end user that is approved by the public  
11 utilities commission.

12 ~~(d)~~ (f) A gas utility shall be allowed to recover the  
13 cost of the tax imposed under subsection ~~(b)~~ (c) as part of  
14 its fuel cost in its fuel adjustment charge without further  
15 approval by the public utilities commission.

16 ~~(e)~~ (g) Each distributor subject to the tax imposed by  
17 subsection (a) or ~~(b)~~ (c), on or before the last day of each  
18 calendar month, shall file, in the form and manner prescribed by  
19 the department, a return statement of the tax under this section  
20 for which the distributor is liable for the preceding month.





1 The form and payment of the tax shall be transmitted to the  
2 department in the form and manner prescribed by the department.

3 ~~[(f)]~~ (h) Notwithstanding section 248-8 to the contrary,  
4 the environmental response, energy, carbon emissions, and food  
5 security tax collected under this section shall be paid over to  
6 the director of finance for deposit as provided in subsection  
7 ~~[(a)]~~ (b) or ~~[(b)]~~ (d), as the case may be.

8 ~~[(g)]~~ (i) Every distributor shall keep in the State and  
9 preserve for five years a record in a form as the department of  
10 taxation shall prescribe showing the total number of barrels,  
11 and the fractional part of barrels, of petroleum product or the  
12 total number of one million British thermal units of fossil  
13 fuel, as the case may be, sold by the distributor during any  
14 calendar month. The record shall show any other data and  
15 figures relevant to the enforcement and administration of this  
16 chapter as the department may require.

17 ~~[(h)]~~ (j) For the purposes of this section:

18 "Barrel" may be converted to million British thermal units,  
19 using the United States Department of Energy, Energy Information  
20 Administration annual energy review or annual energy outlook.



1 "Fossil fuel" means a [~~hydrocarbon deposit,~~] fuel, such as  
2 coal, natural gas, or liquefied natural gas, derived from a  
3 hydrocarbon deposit resulting from the accumulated remains of  
4 ancient plants or animals [~~and used for fuel~~]; provided that the  
5 term specifically does not include petroleum product."

6 SECTION 8. Section 304A-2169.1, Hawaii Revised Statutes,  
7 is amended by amending subsection (b) to read as follows:

8 "(b) Deposits into the special fund may be from the  
9 following:

- 10 (1) Appropriations from the legislature;
- 11 (2) A portion of the environmental response, energy,  
12 carbon emissions, and food security tax pursuant to  
13 section 243-3.5; and
- 14 (3) Investment earnings, gifts, donations, or other income  
15 received by the Hawaii natural energy institute."

16 SECTION 9. The department of taxation shall submit an  
17 interim report to the legislature no later than forty day prior  
18 to the convening of the 2026 regular session on preparations for  
19 the implementation of the carbon cashback program.

20 The department of taxation shall submit a report to the  
21 legislature no later than forty days prior to the convening of



1 each regular session from 2027 until 2035, inclusive, with  
2 information about the carbon cashback program. The report shall  
3 include revenues from the environmental response, energy, carbon  
4 emissions, and food security tax and the amounts distributed  
5 through the refundable tax credits under section 235- , Hawaii  
6 Revised Statutes. The report shall include any information  
7 necessary for the legislature to assess the need to adjust the  
8 amounts of the refundable tax credits in future years.

9 SECTION 10. The office of planning and sustainable  
10 development, in consultation with the department of taxation,  
11 shall submit a report to the legislature no later than forty  
12 days prior to the convening of the regular session of 2035. The  
13 report shall include an evaluation of the carbon cashback  
14 program and any recommended changes to the program, including  
15 proposed legislation.

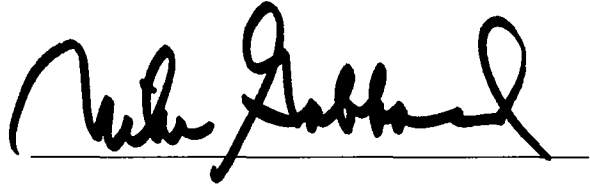
16 SECTION 11. Statutory material to be repealed is bracketed  
17 and stricken. New statutory material is underscored.



1 SECTION 12. This Act shall take effect upon its approval;  
2 provided that sections 4 and 7 shall take effect on January 1,  
3 2026, and shall apply to taxable years beginning after  
4 December 31, 2025.

5

INTRODUCED BY:

  
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**Report Title:**

Environmental Response, Energy, and Food Security Tax; Carbon Emissions; Tax Credit; Agricultural Development and Food Security Special Fund

**Description:**

Amends the environmental response, energy, and food security tax to address carbon emissions. Incrementally increases the tax rate over time. Establishes a refundable tax credit to mitigate the effect of a carbon emissions tax on taxpayers. Reenacts the agricultural development and food security special fund. Requires reports to the Legislature.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

