HAWAIʻI ROAD USAGE CHARGE

LONG-TERM TRANSITION PLAN

FINAL REPORT // DECEMBER 2025

DEPARTMENT OF TRANSPORTATION
STATE OF HAWAII

HiRUC
HAWAIʻI ROAD USAGE CHARGE

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EXECUTIVE SUMMARY

Purpose and Background

The Hawai‘i State Legislature enacted Act 222 (Session Laws of Hawai‘i 2023), which launched the Hawai‘i Road Usage Charge (HiRUC) Program on July 1, 2025. The Act requires all light-duty electric vehicles (EVs) to pay either a per-mile road usage charge (RUC) of 0.8 cents per mile or a flat annual RUC of $50. It further directs the Hawai‘i Department of Transportation (HDOT) to develop and submit a Long-Term Transition Plan (LTTP) to the Legislature (**Figure 1**) that describes how Hawai‘i will transition all light-duty vehicles from the current fuel tax system to a statewide per-mile RUC by December 31, 2033.

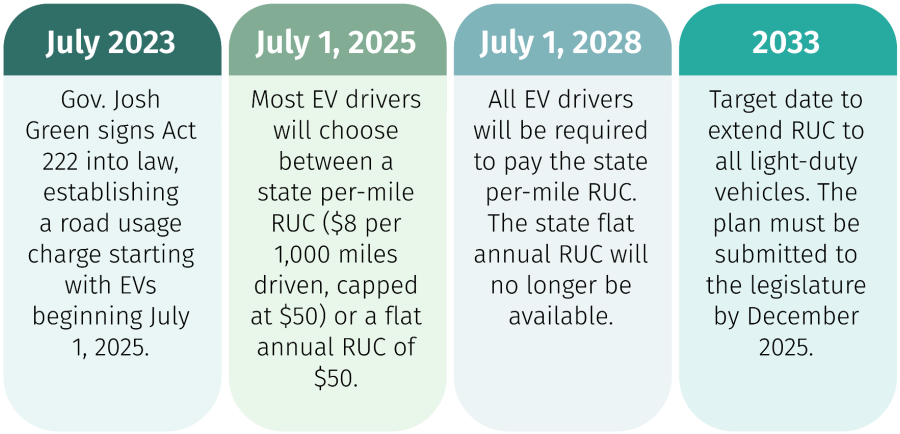

Figure 1. RUC Implementation Timeline

The purpose of the per-mile RUC is to replace an increasingly ineffective fuel-tax system with a more sustainable and equitable method of assessing roadway user fees. Fuel tax revenue will continue to decline as Hawai‘i’s vehicle fleet becomes more fuel-efficient and EV adoption continues. The LTTP recommends how Hawai‘i can modernize its transportation funding system while ensuring that drivers contribute fairly to the cost of the roads they use.

Guiding Framework

At the direction of the Long-Term Transition Advisory Group (LTAG)—the body of legislators, county agencies, energy and environmental sector representatives, and other stakeholders convened by the HDOT to advise on long-term recommendations—the LTTP applied the following objectives to guide decisions. The HiRUC system must be:

- Financially Sustainable

- Operationally Feasible
- Publicly Acceptable

Together, these principles ensure that the transition is not only possible, but durable and publicly supported.

Summary of Priority Recommendations

In this plan, the HDOT identifies five top-priority transition topics for which the statewide transition to RUC requires decisions. Recommendations spanning these five topics reflect input from the LTAG, national best practices, public sentiment, and detailed fiscal analysis. These top priority issues are:

- Per-Mile Rate Setting
- Vehicle Eligibility and Phase-In
- Payment Options and Compliance
- Administrative Costs and Level of Service
- Discounts and Exemptions

Per-Mile Rate Setting

The HDOT recommends establishing a simple, uniform, statewide RUC rate applicable to all light-duty vehicles. Initially, the rate should be revenue-neutral, meaning it should generate approximately the same net revenue as the fuel tax. The LTTP recommends that the per-mile rates and any optional caps be indexed to inflation, subject to periodic legislative review. Every three years, the HDOT should submit a cost-allocation and revenue sufficiency report to the Legislature, comparing RUC revenue to roadway investment needs and recommending adjustments as necessary. Over time, the HDOT should evaluate combining the state vehicle registration fee, weight tax, and RUC into one road usage fee to simplify billing and driver understanding.

Vehicle Eligibility and Phase-In

The HDOT recommends a gradual expansion of RUC participation to allow county DMVs, system vendors, and drivers to adjust. EVs already participate; the LTTP recommends continuing mandatory RUC for EVs beginning July 1, 2028 (ending the optional flat fee of $50). On July 1, 2029, RUC should extend to hybrids and plug-in hybrids. Between 2030 and 2033, RUC should expand to all remaining light-duty gasoline vehicles, using vehicle model year as the determining factor, because model year is already verified in registration records and requires no action by drivers. During this period, the state fuel tax should remain in place as a temporary revenue backstop and to discourage evasion. Fuel taxes paid should be automatically credited against RUC owed at registration renewal, eliminating any risk of double tax payments.

This recommended phase-in is illustrated in **Figure 2,** below:

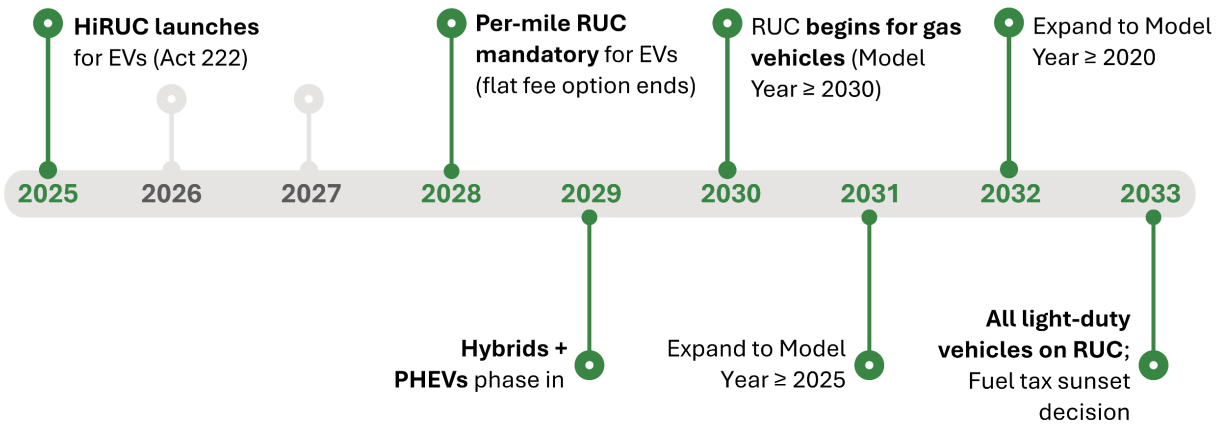

Figure 2. LTTP Recommended Phase-in Timeline

Payment Options and Compliance

The RUC should continue to be calculated using odometer readings already collected during annual safety inspections, and payment should occur at registration renewal. This method has proven to be reliable, affordable, and publicly accepted in the early months of the HiRUC Program. Over time, the HDOT may explore the feasibility of installment payment options for drivers who request them, particularly when RUC is combined with other vehicle fees. Compliance should rely primarily on existing registration and safety-inspection processes and need not require new enforcement mechanisms. The HDOT should continue to monitor compliance rates and recommend adjustments to the compliance and enforcement regime as conditions warrant.

Administrative Costs and Level of Service

As participation expands from several thousand EVs to more than one million light-duty vehicles, the HDOT and county DMVs will require additional administrative and operational capacity. The HDOT recommends a phased vehicle rollout, including operational funding to counties for incremental staffing or system upgrades, and continued collaboration with other agencies to modernize vehicle systems. The HDOT should also track administrative costs as a percentage of total RUC revenue to ensure that the RUC system remains cost-effective over time.

Discounts and Exemptions

Discounts and exemptions reduce transparency and revenue, increase administrative costs, and create unequal payments among drivers. The HDOT recommends limiting RUC exemptions exclusively to federal

vehicles (constitutionally exempt from state taxation) and agricultural vehicles not permitted to operate on public highways regularly.

Other Considerations

This section discusses other issues that are important to a long-term transition for HiRUC but were not identified as high priority issues by the LTAG.

Operational Considerations

The following are additional operational topics for the Legislature's consideration. While these were not top-priority issues for the LTAG, they are essential for the long-term operational success of the HiRUC Program:

- **Bonding.** Consider allowing RUC revenues to be bonded, similar to motor fuel tax revenue.
- **Safety inspection timing.** Consider adjusting safety inspection timing to align with the RUC program to minimize the number of vehicles that default to a flat rate RUC because they do not have two sufficient odometer readings.
- **Default RUC rate setting.** Determine a rate structure or formula to establish a default RUC in perpetuity, to continue to capture RUC revenue when per-mile RUC cannot be calculated.

Future Policy Considerations for Medium- and Heavy-Duty Vehicles

For Legislative consideration beyond 2033 is the issue of how to approach medium- and heavy-duty vehicles within the RUC revenue context. The HDOT recommends that the Legislature provide future consideration to extend RUC to these heavier vehicles eventually, maintain fuel taxes for these vehicles, or evaluate other taxes and fees to make up for lost fuel tax revenue.

Public Communications

To maintain public understanding and support, the HDOT should implement a statewide, multi-year communications plan that includes consistent messaging across counties, public-facing calculators to help drivers estimate their RUC, and outreach to communities with language or technology barriers. County DMVs should continue to be the primary point of contact for public questions during registration renewals.

The following table (**Table 1**) summarizes all the transition recommendations per policy topic, and **Section 3, Long-Term RUC Transition Recommendations,** captures detailed descriptions, rationale, risks, trade-offs, and mitigation strategies of each recommendation.

Table 1. Summary of Key Policy Recommendations

Key Policy Topic	Recommendations
Per-Mile Rate Setting	• Initially maintain revenue neutrality with fuel tax rates. • Treat all light-duty vehicles equally and apply a single per-mile rate for all light-duty vehicles. • Remove the existing cap on annual RUC amount owed. • Include an inflation adjustment mechanism. • Require periodic legislative review with input from the HDOT on revenue collection and cost allocation. • Integrate consistent rate-setting methodologies across the State and counties (if a county RUC is enacted in the future).

Vehicle Eligibility and Phase-In	• Continue mandatory RUC for EVs.
	• Phase-in hybrids and plug-in hybrids next.
	• Gradually extend RUC to light-duty internal combustion engine vehicles, beginning July 1 of each year:
	  ○ 2030: model year 2030 and newer.
	  ○ 2031: model year 2025 and newer.
	  ○ 2032: model year 2020 and newer.
	  ○ 2033: all light-duty vehicles.
	• Maintain the fuel tax during the RUC transition.
	• Evaluate the future of the fuel tax.

Payment Options and Compliance	• Continue to rely on post-pay at registration renewal. • Offset RUC with fuel taxes paid. • Use existing enforcement tools such as DMV registration holds and safety inspection verification. • Monitor registration compliance continuously through periodic audits. • Evaluate optional payment plans.
Administrative Costs and Level of Service	• Scale up capacity gradually. • Invest in county support. • Modernize systems collaboratively. • Integrate administrative cost tracking.

Key Policy Topic	Recommendations
	• Provide consistent training and communications.
Discounts and Exemptions	• Limit exemptions to those required by law. • Consider alternative approaches for providing incentives. • Require impact analysis for any new exemption. • Revisit exemptions periodically.
Other Considerations	• Consider allowing RUC revenue to be bonded. • Consider adjusting the timing of annual vehicle safety inspections to align with annual registration renewals. • Consider a rate structure or formula to establish a default RUC that should exist in perpetuity. • Evaluate long-term options for revenue collection for medium- and heavy-duty vehicles.
Public Communications	• Ensure support for long-term, multi-year public communications to support public education and information about long-term RUC transition.

1. INTRODUCTION AND OVERVIEW

1.1. Purpose of the Long-Term Transition Plan

The Hawai‘i Road Usage Charge (HiRUC) Program launched on July 1, 2025, pursuant to Act 222, Session Laws of Hawai‘i (SLH) 2023. The law requires all light-duty electric vehicles (those with a gross vehicle weight of up to 10,000 pounds) to pay either a per-mile road usage charge (RUC) of 0.8 cents per mile, capped at $50 per year, or a flat RUC of $50 per year. The choice to pay a flat annual RUC expires on July 1, 2028 when the per-mile RUC becomes mandatory for electric vehicles (EVs). The law also requires the Hawai‘i Department of Transportation (HDOT) to develop a plan to transition all light-duty vehicles to a RUC by 2033.

The HDOT developed this Long-Term Transition Plan (LTTP) to guide a smooth and successful expansion of the HiRUC Program. Pursuant to the recommendations from the Long-Term Transition Advisory Group (LTAG), the LTTP charts the course for transitioning from the current RUC program for electric vehicles (EVs) to a statewide system that assesses a per-mile RUC for all light-duty vehicles in place of fuel taxes by 2033 (see **Figure 3**).

Figure 3. Key HiRUC Milestones

1.2. Legislative Direction

The Hawai‘i State Legislature established the foundation for this plan through Act 222 (SLH 2023), which directed the HDOT to develop a long-term mileage-based transition plan that includes:

- Findings, recommendations, implementation phase schedules, and proposed legislative changes needed for the deployment of a state mileage-based RUC for all light-duty vehicles by December 31, 2033.
- Recommendations to ensure compatibility between the state’s RUC and any county-level RUC that may be authorized, while accounting for and incentivizing more fuel-efficient vehicles.

This plan fulfills the Legislature's directive by outlining how the HDOT can move from the initial phase—currently including only light-duty EVs—to a sustainable and equitable system that eventually consists of all light-duty vehicles on Hawai'i's roadways.

1.3. Use of the Long-Term Transition Plan

The LTTP identifies key policies and actions across three timeframes:

- **Near-term (2026 through June 30, 2028):** Early administrative and legislative steps to support program stability and learnings from the initial HiRUC Program rollout, and possible authorization of a county-based RUC. Preparation for the first major expansion, when the per-mile RUC becomes mandatory for all light-duty EVs.
- **Mid-term (July 1, 2028 through 2030):** Begin the transition to a RUC for all light-duty vehicles, including administrative and communications efforts to enable this.
- **Long-term (through 2033):** The full transition period leading to the implementation efforts for all light-duty vehicles to be encompassed in the HiRUC Program.

1.4. Development Process and Key Inputs

In developing this plan, the HDOT's HiRUC project team:

- **Convened the LTAG:** Composed of diverse representatives from state and county agencies, the Hawai'i State Legislature, County Councils, automotive and energy sectors, advocacy organizations, and community interests. The LTAG met four times throughout 2025 to discuss key policy, technical, and administrative issues and provide feedback for the HDOT's consideration. See **Appendix A** for a roster of the LTAG members.
- **Aligned with the HDOT's implementation plan:** The LTTP builds upon lessons learned from the initial implementation phase of the HiRUC Program, ensuring that early operational experiences inform long-term transition strategies and decisions.
- **Reviewed national and international experience and RUC operations:** The HiRUC project team examined operational RUC programs in other jurisdictions—including New Zealand, Oregon, Utah, and Virginia—to identify best practices in phasing, rate-setting, and public engagement. New Zealand's 47-year experience provided especially valuable insights into how a RUC system can evolve gradually, efficiently, and with strong public understanding and compliance.

As shown in **Figure 4,** the LTAG provided advice to the HDOT and its technical advisor, CDM Smith, on key contents of the LTTP. The process culminated in the HDOT's adoption of the plan for transmittal to the Legislature.

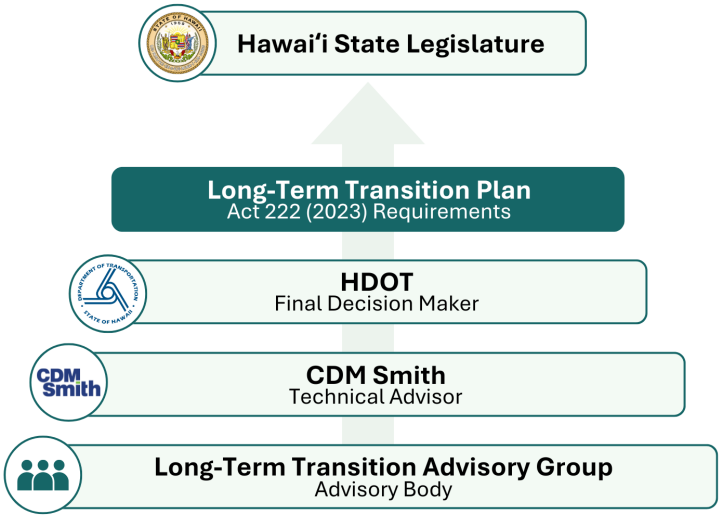

Figure 4. LTTP Development Process

1.5. Scope and Structure of the Plan

The LTTP addresses three main areas of long-term transition planning:

- **Policy-level issues**, including legislative, fiscal, and equity considerations for rate-setting, vehicle eligibility, and revenue targets.
- **Technology and operational issues**, including RUC payment options, compliance, and enforcement.
- **Organizational and administrative issues**, including roles of the HDOT, counties, and partners in implementing, enforcing, and communicating the program, and associated cost implications.

This plan does not attempt to address every technical or operational detail. Instead, it serves as a roadmap and a navigational tool to guide Hawai'i toward its destination, where, by 2033, all light-duty vehicles pay a per-mile RUC.

To maintain focus on the most impactful subjects, the LTAG identified five top priority topics that frame this plan's recommendations:

- Per-Mile Rate Setting
- Vehicle Eligibility and Phase-In
- Payment Options and Compliance
- Administrative Costs and Level of Service
- Discounts and Exemptions

Section 3, Long-Term RUC Transition Recommendations, addresses each of these top-priority topics in further detail and **Appendix B** provides additional details and considerations for each policy topic, particularly those discussed by the LTAG.

1.6. Defining the North Star

At the LTAG's recommendation, the HDOT articulated a "North Star," or statement of objectives, intended to guide the transition decisions. By 2033, Hawai'i's RUC program should be:

- **Financially sustainable**: The system is financially sustainable if the net revenue generated, after deducting administrative and collection costs, is sufficient to meaningfully contribute to the State Highway Fund and justify the program's implementation.
- **Operationally feasible**: The system is operationally feasible if it can be implemented and managed with reasonable administrative effort and cost, and if participation and compliance are straightforward and adhered to by drivers.
- **Publicly acceptable**: The system is publicly acceptable if the general public broadly accepts its policies, decisions, and operations and do not activate widespread opposition or sustained complaints to elected officials. Public sentiment is typically measured by the absence of significant public backlash or sustained negative feedback beyond advocacy groups.

This North Star anchors the LTTP and provides the benchmark for measuring success along the journey towards a fully implemented HiRUC system.

2. CONTEXT FOR HIRUC IN HAWAIʻI

The State of Hawaiʻi has relied on its state fuel tax as a primary source of transportation revenue. As more vehicles on Hawaiʻi's roads are fully electric, hybrid, plug-in hybrid (PHEV), or even more fuel-efficient (**Figure 5**), this historically stable revenue source has eroded. As a result, policymakers and those in the transportation industry have recognized that the fuel tax is becoming an increasingly ineffective tool for generating sufficient revenue, which erodes the state's ability to maintain the highway network and infrastructure.

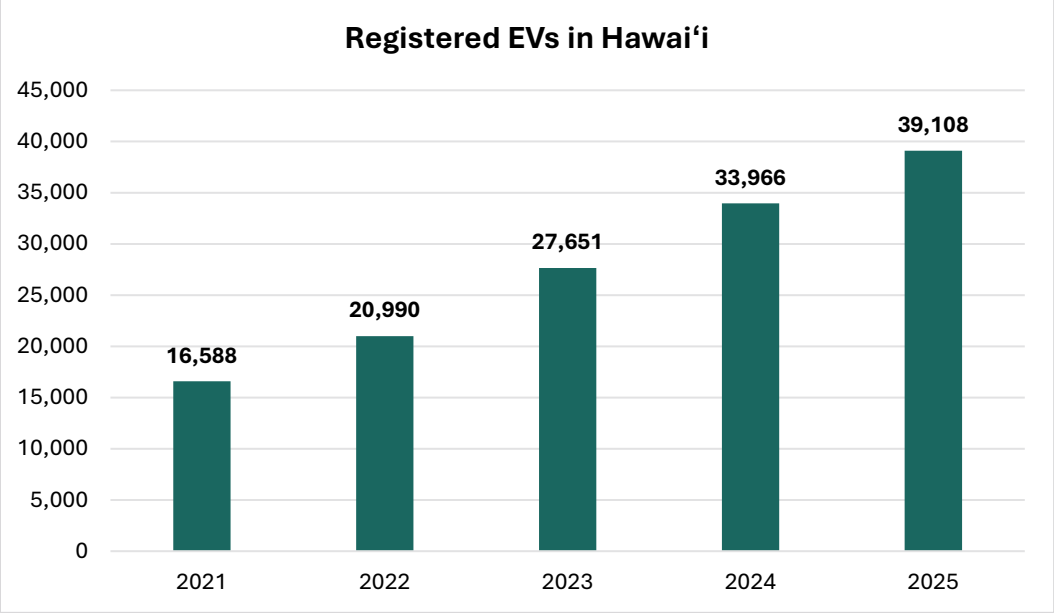

Figure 5. Registered EVs in Hawaiʻi[1]

Even if the fuel tax were regularly increased to compensate for the increased fuel efficiency of gasoline-powered vehicles, these adjustments would still not be sufficient to adequately fund highway revenue needs. As a result, the fuel tax is becoming an increasingly unsustainable source of funding for transportation.

Changes in the vehicle fleet not only create revenue challenges but also shift the burden of paying fuel taxes onto a shrinking portion of the tax base. Buyers of EVs, PHEVs, and gas hybrids, who typically have relatively higher incomes and the greatest ability to pay to use the roads, are best positioned to pay the least, or nothing at all, for their road usage. This raises fairness and equity concerns around continuing to

[1] State of Hawaiʻi Department of Business, Economic, Development & Tourism, Monthly Energy Trends, https://dbedt.hawaii.gov/economic/energy-trends-2/

rely on fuel taxes: those who cannot afford EVs, hybrids, or more fuel-efficient vehicles end up paying a larger share of the cost to maintain the roads[2].

Hawai‘i first began exploring a RUC in 2016, when, funded by the Surface Transportation System Funding Alternatives (STSFA) grant program administered by the Federal Highways Administration (FHWA), the HDOT launched a statewide pilot demonstration of a mileage-based RUC. The pilot involved distributing intuitive, user-friendly driving reports to thousands of Hawai‘i households using odometer data gathered through Hawai‘i’s annual safety inspections—making it the largest RUC pilot ever conducted in the United States. These customized driving reports showed drivers how much they paid in fuel taxes compared to what they would pay under a mileage-based RUC. The demonstration also tested automated mileage reporting technologies, fleet reporting options, and alternative reporting methods for RUC.

The HDOT’s demonstration also included comprehensive policy research and analysis, public engagement, financial modeling, system design, and evaluation of public opinion and acceptance. The HiRUC Final Report, published in August 2022, summarized findings and recommendations to inform the development and passage of Senate Bill 1534, approved as Act 222 (SLH 2023), which established Hawai‘i’s HiRUC Program in law. The pilot’s large-scale engagement and technical testing provided critical insights into the policy, administrative, and technological requirements needed to make a statewide mileage-based RUC system operational and to make the transition to a permanent, mandatory mileage-based RUC program attainable.

The HiRUC Program officially launched on July 1, 2025, and continues to improve incrementally as operational learnings are discovered.

Understanding the HiRUC Program’s revenue potential is critical for evaluating its overall viability. In looking at the program’s revenue forecasts, the following chart (**Figure 6**) shows the estimated revenue from fuel taxes (gasoline and diesel taxes) and RUC based on the current HiRUC Program (EVs only), assuming the removal of the program’s $50 cap on RUC in 2028. This chart assumes a moderate adoption rate of EVs, such that EVs account for 21 percent of all light-duty vehicles and 40 percent of new car sales by 2040.

[2] Hawai‘i Road Usage Charge Demonstration Project Final Report, Appendix D-2. RUC and Low Income Drivers. January 2022. https://hiruc.org/wp-content/uploads/2022/08/D-2-HiRUC-RUC-and-Low-Income-Drivers.pdf

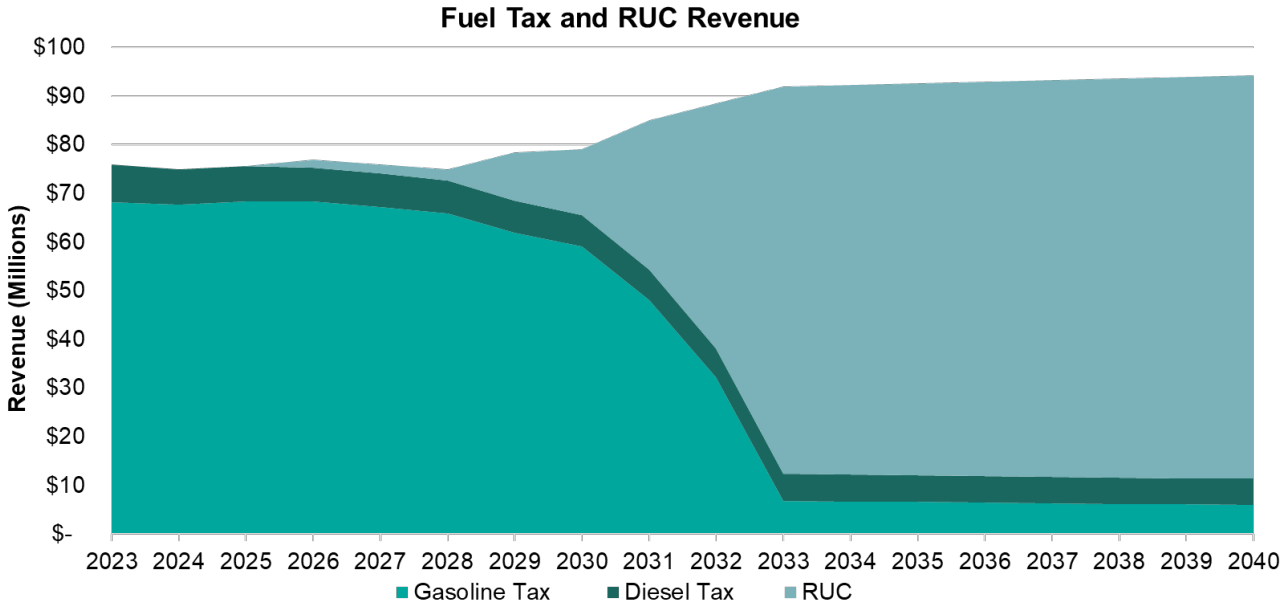

Figure 6. Fuel Tax and EV-only RUC Revenue with Moderate EV Adoption Rate[3]

[3] Original analysis conducted by CDM Smith.

3. LONG-TERM RUC TRANSITION RECOMMENDATIONS

Five key transition topics were identified and prioritized by the LTAG to serve as the foundation of the LTTP, representing the critical considerations to balance, including policy clarity, operational practicality, and administrative readiness.

This section translates these considerations into specific recommendations and next steps for the HDOT and its partners to achieve a financially sustainable, operationally feasible, and publicly acceptable RUC system for all light-duty vehicles by 2033.

Additional details around the policy discussions for each topic, including those considered by the HDOT and as part of LTAG discussions, can be found in **Appendix B**.

3.1. Per-Mile Rate Setting

Definition and Context

Rate-setting determines the amount each vehicle will pay per mile, striking a balance between the need for a financially sustainable revenue stream and public acceptance, as well as ease of administration. The LTAG emphasized that the per-mile rate must be clear, fair, and predictable while ensuring that revenues are sufficient to sustain Hawai‘i’s road system as fuel tax collections continue to decline.

Recommendations

- **Initially maintain revenue neutrality**. Set the statewide RUC rate so that it raises the same amount of net revenue that the State and counties raised from motor fuel taxes in 2017, the year before the steep erosion drop in fuel tax revenue caused by the growing numbers of high-MPG and electric vehicles. Net revenue should account for administrative costs.
- **Treat all light-duty vehicles equally**. Apply a single per-mile RUC rate to all eligible light-duty vehicles to maximize simplicity and fairness.
- **Remove the existing cap on annual RUC amount owed.** Starting in 2028, when per-mile RUC is mandatory for all EVs, remove the annual cap to ensure revenue reflects actual road usage.
- **Include an inflation adjustment mechanism**. Authorize the HDOT to index the per-mile RUC rate, the RUC cap, and any mileage caps to an inflationary index such as the National Highway Construction Cost Index, subject to legislative review and approval.
- **Require periodic legislative review**. Every three years, the HDOT should submit a report on highway revenue and cost allocation to the Legislature, comparing all forecasted transportation revenue sources with roadway investment needs and recommending any RUC rate adjustments to help meet demands based on the report’s analysis.

- **Integrate rate-setting across the State and counties**. The State and counties (if a county RUC is implemented in the future) should coordinate their RUC rate-setting methodologies to improve ease of explanation and public acceptance of the state RUC and any potential county-level RUC programs.

Rationale

A unified and predictable RUC rate promotes fairness, operational simplicity, and transparency. Indexing to inflation protects the long-term purchasing power of the State Highway Fund revenues, while recurring legislative review ensures awareness of transportation revenue forecasts relative to system requirements, oversight, and accountability. Periodic reports to the Legislature should include consideration of all transportation revenue sources, including expected bond sales and resulting debt service requirements.

Maintaining initial revenue neutrality will help the public understand that a RUC is a replacement for the fuel tax, rather than a new tax. The year 2017 is recommended as the basis for setting the revenue-neutral rate because that year reflects peak fuel tax collections prior to the erosion in revenue attributable to growing numbers of high-MPG and electric vehicles. That year also served as the basis for determining the HiRUC Program's current per-mile RUC rate for EVs. Coordinating RUC rate structures with counties will simplify compliance and public communication.

Potential Risks and Trade-Offs

- Political resistance to perceived rate increases.
- Potential inconsistency between rate-setting approaches and structures between state RUC and potential county RUC programs.
- Inflation indexing could cause annual increases in driver costs, creating political resistance to continuing such increases.
- The cost-allocation study requirement could lapse without sustained legislative support.
- The cost-allocation study could reveal politically unpalatable outcomes.

Mitigation Strategies

- Communicate rate adjustments clearly, wherever possible, linking them to visible roadway improvements or programs to justify the renewal and upgrades to Hawai‘i's roads.
- Coordinate early with county finance officials to align potential rate-setting and cost assumptions.
- Limit the inflationary adjustments to a reasonable annual maximum threshold (e.g., five percent).
- Engage with legislators and stakeholders on inputs and methodology for cost-allocation studies.
- Publish the RUC rate-setting studies and legislative review findings for transparency.

3.2. Vehicle Eligibility and Phase-In

Definition and Context

Vehicle eligibility and phasing determine which types of vehicles are subject to the RUC program and when. The order of vehicle inclusion must balance fairness, operational readiness, and administrative capacity at both the state and county levels.

Recommendations

- **Continue mandatory RUC for EVs**. Beginning July 1, 2028, all light-duty electric vehicles will pay the per-mile RUC, with the phasing out of the option to pay the flat annual RUC of $50. Total estimated vehicles enrolled: 55,000.
- **Phase-in hybrids and plug-in hybrids.** Beginning on July 1, 2029, extend the RUC to hybrids and PHEVs. Additional estimated vehicles enrolled: 92,000.
- **Gradually extend RUC to internal combustion engine vehicles.** From 2030 through 2033, phase in conventional internal combustion engine vehicles based on model year and successful implementation of each previous phase. Increase the number of vehicles subject to the HiRUC Program in each implementation phase, with specific timelines for model year phasing dependent on the success of the previous implementation phase. The recommended complete phase-in approach to extend RUC to the remaining vehicles is as follows (see **Figure 7**). HDOT should closely monitor the implementation and launch of RUC for hybrids and PHEVs and identify any challenges for implementing agencies that may necessitate revisions by the legislature prior to July 1, 2030.
    - Beginning July 1, 2030, all light-duty vehicles model year 2030 and newer (additional estimated vehicles enrolled: 59,000).
    - Beginning July 1, 2031, all light-duty vehicles model year 2025 and newer (additional estimated vehicles enrolled: 265,000).
    - Beginning July 1, 2032, all light-duty vehicles model year 2020 and newer (additional estimated vehicles enrolled: 295,000).
    - Beginning July 1, 2033, all light-duty vehicles (additional estimated vehicles enrolled: 433,000).

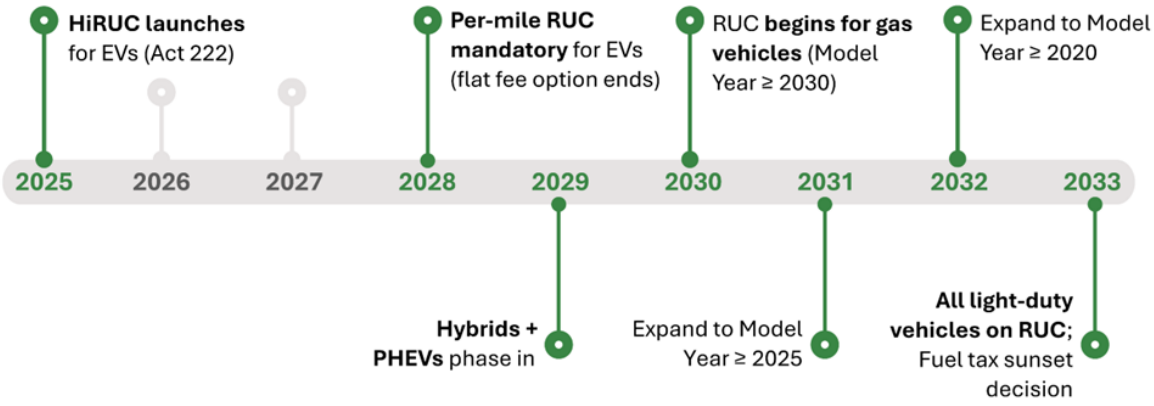

Figure 7. LTTP Recommended Phase-in Timeline

- **Maintain the fuel tax during the transition**. Retain the fuel tax temporarily to provide a pay-as-you-go mechanism, crediting fuel tax payments against the RUC owed at the time of registration, until the transition of all light-duty vehicles is complete. This preserves a modest tax incentive for owners of internal combustion engine vehicles to consider transitioning to more fuel-efficient models.
- **Evaluate the future of the fuel tax.** By 2033, reassess whether or how to retire the motor-fuel tax entirely for light-duty vehicles, once RUC participation reaches a critical mass. Full retirement of fuel taxes requires consideration of several factors, including how to assess an alternative usage fee from medium- and heavy-duty vehicles that still pay fuel taxes; whether and how to sustain a modest incentive for consumers to transition to more fuel-efficient vehicles; and how to address outstanding bonds whose debt service relies on fuel tax receipts.

Rationale

Maintaining the mandatory RUC for EVs preserves program momentum and reinforces public confidence among the current HiRUC Program participants. This continuity supports a stable transition framework and minimizes disruption in public engagement. Advancing towards the mandatory RUC enables state and county agencies to continue to proactively assess and enhance their operational readiness and administrative capacity, strategically aligning for the management of future phases of expansion.

Phasing in by fuel type offers several advantages. First, PHEVs and hybrids constitute an identifiable segment of the fleet with a relatively manageable volume to add to the HiRUC Program next. Second, they generally benefit from the highest fuel efficiency among non-EVs on the road, which means they currently pay the least in fuel tax for usage. Third, amid fast-evolving technology, consumers face confusion regarding the technical definitions of hybrids, PHEVs, and electric vehicles. During the launch of the HiRUC

Program for EV owners, many hybrid and PHEV owners inquired about their eligibility for the program. Adding all three vehicle types creates simplicity and uniformity for both customers and operators.

A model-year-based phase-in for internal combustion engine vehicles provides administrative simplicity because the model year is already recorded in the vehicle registration systems. This transition is understandable to the public, as most vehicle owners are likely aware of their vehicle's model year. Temporarily retaining the fuel tax helps to prevent revenue disruption and allows time for the RUC system testing and public acclimation.

The chart below (**Figure 8**) illustrates the notional revenue from fuel tax and RUC under the transition scenario outlined in this recommendation, including the model year transition presented earlier. The chart depicts all light-duty vehicles on RUC by 2033.

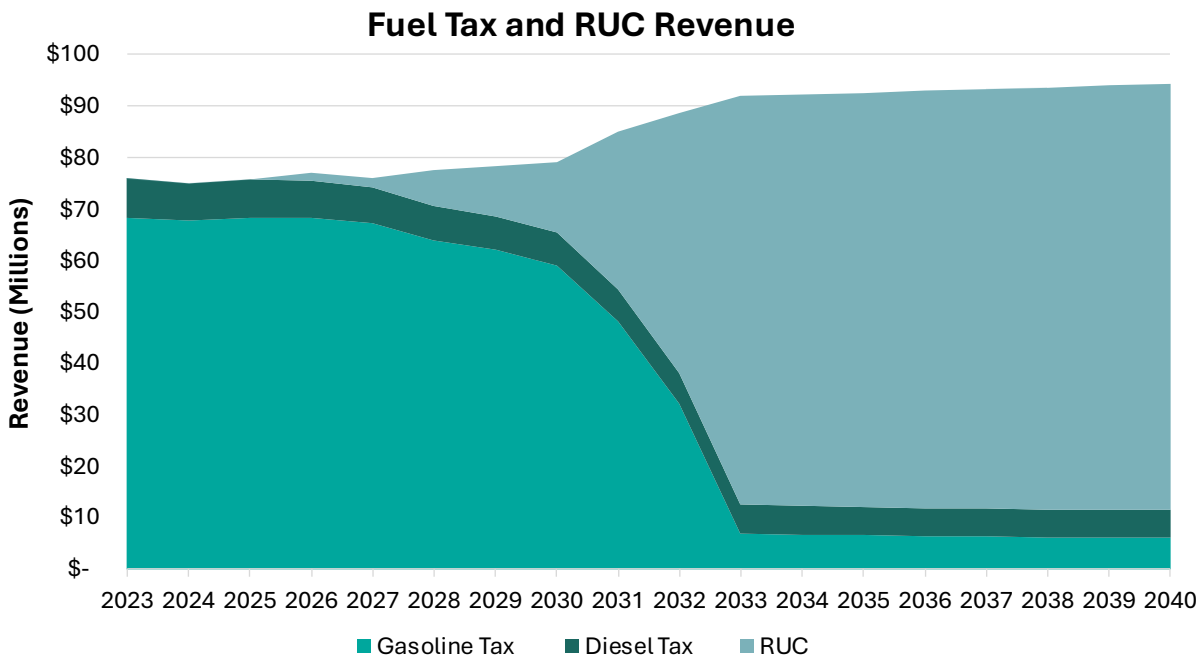

Figure 8. Notional Fuel Tax and RUC Revenue under the Recommended Vehicle Phase-in Strategy[4]

[4] Source: original analysis conducted by CDM Smith. Scenario assumes the gasoline tax is maintained through 2040. Under this assumption, customers pre-pay RUC through the gasoline tax. RUC owed at registration is credited by the amount of gasoline tax paid. RUC revenue shown in the figure comprises the portion pre-paid through gasoline taxes and the portion paid at registration. For vehicles less than 20 MPG, the amount paid in gasoline taxes that exceeds RUC owed is not refunded. This is illustrated in the figure as gasoline tax revenue, including the residual amounts shown from 2033 to 2040 after all vehicles transition to RUC.

Potential Risks and Trade-Offs

- Confusion among drivers about fuel tax credits and the timing of the transition.
- Added cost and complication for a fuel tax credit system.
- Even if the fuel tax were eliminated, some gas stations might not reduce the overall pump prices right away.
- In considering the elimination of the fuel tax, addressing road usage contributions by gasoline-powered vehicles that weigh more than 10,000 pounds (the light-duty vehicle weight threshold).
- If the phase-in moves too quickly, the county DMVs could face surges in workload that they cannot adequately respond to. If the phase-in moves too slowly, the state could lose needed revenue.

Mitigation Strategies

- Implement a comprehensive, statewide communications effort explaining the HiRUC Program's overall transition process, transition schedule, and fuel tax credit process.
- To minimize customer effort and confusion, implement a system that will automate the process of calculating and applying fuel tax credits towards the RUC owed based on published vehicle fuel economy ratings.
- Coordinate with the Department of Taxation and the Office of Consumer Protection to monitor fuel-price behaviors throughout the transition periods.
- Publish a transition dashboard showing participation rates and readiness metrics.
- Consider implementing a RUC program for vehicles over 10,000 pounds to enable the elimination of the fuel taxes.
- Evaluate the County DMVs' capacity annually and recommend to the Legislature any adjustments to the phase-in pace accordingly.

3.3. Payment Options and Compliance

Definitions and Context

Payment and compliance mechanisms affect how motorists interact with the program, how payments are processed, and how the HDOT ensures fairness and accountability. The LTAG supported simple, familiar processes that leverage the existing inspection process and DMV systems to avoid costly new infrastructure.

Recommendations

- **Rely on post-pay at registration renewal**. Continue calculating the RUC using the odometer readings at the time of the annual safety inspection. Continue collecting the RUC at the time of registration renewal—the approach currently used for EVs.
- **Offset RUC with fuel taxes paid**. During the overlap periods when both the RUC and fuel tax systems are in effect, automatically credit estimated fuel tax payments against the RUC amount owed, rather than issuing cash refunds.
- **Use existing enforcement tools**. Utilize DMV registration holds and safety-inspection verification as primary enforcement mechanisms.
- **Monitor compliance continuously**. Conduct periodic audits of registration and RUC compliance, building on the 2024 statewide study that found a 96 percent registration compliance rate among on-road vehicles.
- **Evaluate optional payment plans**. Assess whether installment or third-party payment options are warranted for the combined registration fees, weight taxes, and the RUC, once the program expands to all light-duty vehicles.

Rationale

Integrating the RUC into the existing county DMV workflows reduces overall operational and public disruption and minimizes administrative costs. Offsetting the RUC with fuel tax payments ensures fairness to drivers and prevents drivers from being double charged for the same road usage. Maintaining existing enforcement structures helps avoid the costs of implementing new policing mechanisms. Monitoring registration compliance rates during the RUC transition periods can indicate the potential difficulties drivers are experiencing and indicate whether additional measures (such as periodic payment plans) may be warranted.

Potential Risks and Trade-Offs

- Slightly larger-than-expected annual registration bills have the potential to reduce compliance.
- Payment plan options will increase administrative costs.
- Potential for inconsistent enforcement across counties.
- Potential for administrative issues around a fuel tax credit system that does not yet exist.

Mitigation Strategies

- Proactively offer online tools showing a driver's estimated annual RUC in advance of their registration renewal may allow drivers to financially plan accordingly to remain in compliance.

- Beginning with those drivers that demonstrate financial need, pilot limited installment plan options with third-party processors before considering any statewide rollout.
- Establish a data-sharing framework among all counties to ensure consistent enforcement policies and practices.
- During program expansion, conduct biennial compliance studies to track trends and inform program design adjustments.
- Conduct research to optimize the provision of fuel tax credits before launching the RUC for PHEVs and hybrids to identify data gaps, maximize automation, assess customer understanding, and develop appropriate public communications.

3.4. Administrative Costs and Level of Service

Definition and Context

A successful long-term transition will depend on clear roles, adequate staffing, and modernized systems across the HDOT, the county DMVs, and the City and County of Honolulu's Department of Information Technology (DIT). The LTAG members emphasized that the county DMVs are the front line for customer service and should be provided with training, operational support, and predictable funding.

Recommendations

- **Scale up capacity gradually**. Phase-in RUC participation gradually to allow state and county systems to adapt incrementally, avoiding operational overload.
- **Invest in county support**. Provide adequate funding and/or additional workforce to reimburse and subsidize counties for their incremental costs and operations of the RUC administration during the transition periods.
- **Modernize systems collaboratively**. Continue with the DIT modernization of the county DMV and various data systems to enable vehicle eligibility checks, automated mileage capture, RUC calculation, billing, and reporting.
- **Integrate administrative cost tracking**. Include administrative cost ratios in the HDOT's cost allocation reports to determine periodic rate-setting.
- **Provide consistent training and communications**. Deliver statewide training for county DMV staff and a unified customer service script to ensure consistency across all counties until fully transitioned.

Rationale

The transition from thousands of light-duty EVs to more than one million registered light-duty vehicles requires sustained coordination between state and county agencies. Scaling capacity in phases allows for testing, feedback, and refinement. Continuous monitoring of administrative costs will ensure efficiency and accountability. Periodic reports should also include lessons learned and any recommended adjustments to the HiRUC Program.

Potential Risks and Trade-Offs

- Adding phases of vehicles too rapidly could overwhelm county DMV offices and create risks of non-compliance and revenue leakage.
- County staff turnover may reduce operations and customer service quality.
- Inconsistent messaging across jurisdictions could cause public confusion and frustration.

Mitigation Strategies

- Implement a joint HDOT-county task force to oversee readiness and phase scheduling, perhaps modeled after the Implementation Working Group (IWG) that successfully advised the HDOT on the rollout of the initial HiRUC Program for EVs.
- Provide adequate funding and staffing during the entire transition period as well as permanent funding and staffing for post-transition operations to support increased workload for the program, including possible supplemental staff support from other agencies (e.g., the HDOT).
- Develop and use coordinated communications outreach materials, customer support templates, FAQs, and training refreshers.
- Maintain transparency about how administrative costs affect rate-setting decisions.

3.5. Discounts and Exemptions

Definition and Context

Discount and exemption policies define which vehicle owners may pay reduced or no RUC. The LTAG members agreed that exemptions should be minimal and consistent with the existing statutory provisions for the fuel tax.

Recommendations

- **Limit exemptions to those required by law**. Continue exemptions only for federal vehicles (under the U.S. Supremacy Clause) and for certain agricultural vehicles restricted from public roads.

- **Consider alternative approaches for providing incentives**. Programs aimed at low-income relief or incentivizing adoption of clean vehicles, or vehicle electrification should be managed through other state initiatives, not through discounted RUC rates.
- **Require impact analysis for any new exemption**. Any proposed discount or exemption should include a quantitative analysis of revenue impacts, potential offsetting rate effects, and an assessment of administrative and enforcement cost impacts.
- **Revisit exemptions periodically**. Reevaluate exemption policies every few years to ensure consistency with statutory and fiscal objectives.

Rationale

Restricting discounts and exemptions preserves fairness and fiscal integrity. Allowing widespread discounts and exemptions would reduce revenue, require higher rates for others, complicate administration, increase costs for collection, and may raise compliance issues. Social and environmental objectives can be better served through targeted programs funded separately from the RUC revenues. These objectives may be better achieved through separate initiatives that promote the initial affordability and adoption of fuel-efficient vehicles. For example, the residential electricity sector has successfully applied energy conservation incentives through purchase rebates for energy-efficient appliances and windows, solar panels, and other measures. Similar programs could be enacted to incentivize consumer adoption of electric vehicles, as has been accomplished in most states.

Potential Risks and Trade-Offs

- Public pressure to expand discounts and exemptions (e.g., for nonprofits or low-income drivers).
- Perception that RUC does not accommodate equity considerations.
- Introducing any discounts or exemptions for one group will encourage lobbying by other interested groups also to receive a discount or exemption, putting the Legislature in the position of having to decide which groups are most worthy of these privileges.
- Those who do not qualify for discounts or exemptions may be upset that they are subsidizing those who are provided these benefits.
- Current statute provides RUC exemptions to vehicles that are exempt from state weight tax, including state-owned vehicles, county-owned vehicles, vehicles registered to disabled veterans, and vehicles registered to state or county police officers and used by them for official purposes.

Mitigation Strategies

- Communicate clearly that the RUC replaces the fuel tax and that fairness comes from each driver paying for their actual road usage, not from the broad and potentially contradictory expansion of discounts and exemptions.

- Coordinate with the Department of Taxation to explore other mechanisms and initiatives that could promote credits or exemptions for social or environmental policy reasons.
- Publish an annual report showing how the State Highway Fund revenues are used statewide, emphasizing that the equal contribution of all drivers paying a RUC results in equitable outcomes for all.
- Monitor the need for RUC payment accommodations (e.g., installment payment plans) that could be deployed to ease the burden of all vehicle-related fees collected at registration (including RUC).

3.6. Other Considerations

This section presents the issues that the LTAG did not identify as the highest priority issues; however, they are important to consider for long-term transition.

Operational Considerations

The following are important operational issues that do not require policy intervention:

- **Consider bonding RUC revenue**. Periodically, the State of Hawai'i issues bonds to pay for highway construction projects. These bonds pledge repayment from state motor fuel taxes and other sources. From a legal standpoint, a contract exists between the State of Hawai'i and bondholders for the repayment of those bonds, which may include provisions promising that the State will not take any action to "impair the repayment" of the bonds. If the Legislature decides to repeal the state fuel tax because all light-duty vehicle owners are paying the RUC instead, bondholders may have a cause of action against the State for violating the bond covenants. Although this potential issue will not present itself for a decade or more, legislators should be aware of this and consider taking steps now to provide them with maximum flexibility in the future. Potential solutions could include adding the RUC as one (of many) eligible source of revenue for the repayment of bonds issued in the future, and defeasing or refinancing outstanding bonds that pledge state fuel taxes.
- **Adjust safety inspection timing to align with the HiRUC program.** Given the lack of systematic timing alignment of vehicle safety inspections with vehicle registrations, some vehicles, although compliant with both their vehicle safety inspections and registration, do not have two odometer readings available for calculating RUC at the time of their registration renewal. This timing misalignment can be resolved by requiring a safety inspection immediately before the vehicle's registration renewal, but implementing this effort may take several years. As such, per the Hawai'i Administrative Rules, these vehicles are currently being charged the state default RUC of $50 annually. However, the current amount of the state default RUC ensures that no driver will ever pay more than $50. This does not adequately represent the average annual miles driven by a typical vehicle in Hawai'i and will significantly reduce transportation revenue.

- **Determine approach to long-term default RUC**. Determine a rate structure or formula to establish a default RUC that should exist in perpetuity. If the HDOT aligns safety inspection timing and registration/RUC payment timing, fewer vehicles will be subject to default RUC because the data needed to calculate per-mile RUC is likely to be available. However, there will always be a subset of vehicles with edge cases where sufficient odometer data isn't available. In these cases, the HDOT recommends a default RUC that is higher than the average miles driven in Hawai'i so that vehicle owners are incentivized to remain in compliance and align their safety check and annual registration renewal timelines.

Future Policy Considerations

The following are policy issues that should be considered beyond 2033, the target date for light-duty vehicle transition:

- **Medium- and heavy-duty vehicles**. Vehicles over 10,000 pounds are not currently subject to the HiRUC Program for EVs and are not outlined in this LTTP, but will continue to pay fuel taxes for their use of roadways. Unless the RUC is extended to medium- and heavy-duty vehicles in the future, either the current fuel tax system will need to stay in place to ensure these vehicles pay for their use of the state's roadways, or other taxes and fees paid by medium- and heavy-duty vehicles must be instituted. Heavier vehicles already pay higher fixed fees (e.g., combined state and county registration fees and weight taxes) that do not vary with roadway use. Fuel taxes are the only contribution they make that varies based on roadway usage. As the HiRUC Program matures, consideration should be given to eventually extending the RUC to these heavier vehicles, thereby facilitating the repeal of state fuel taxes entirely.

3.7. Public Communications

Drawing on insights from the HiRUC Program's 2025 transition and input from the LTAG, robust public information, education, and communications strategies proved to be essential in ensuring that the initial transition resulted in the successful implementation and public acceptance of the program.

Recommendations

As Hawai'i transitions its light-duty vehicle fleet to a mileage-based RUC and away from the fuel tax, the following are the HDOT's public communications recommendations, drawn on 2025 implementation experience and input from the LTAG:

- **Develop and fund a long-term communications strategy that emphasizes clear and transparent messaging.** A long-term, cohesive communications strategy, rooted in transparent messaging, is key to building public trust and minimizing confusion in the shift from the fuel tax to a RUC. Key messages must explain why Hawai'i is adopting a per-mile RUC, how rates are determined, and how revenues are used. Robust public engagement is critical, building on the

initial RUC transition in 2025, and must continue throughout all major subsequent transition phases.

- **Provide broad outreach and engagement with drivers.** As more vehicles and drivers are onboarded into the HiRUC Program, broad engagement with public information materials and tools is vital. Communications strategies and tools such as media engagement, a program website, mailers, social media, informational videos, fact sheets, and toolkits are essential for providing clear public education on what drivers need to know. As more drivers transition to the HiRUC Program, communications should also be tailored to reach specific audiences, including those with language access needs or limited access to technology.
- **Continue partnering with state and county implementing agencies.** Partnering with state and county agencies ensured a smooth initial HiRUC Program implementation, and continuing this partnership is essential to the long-term, successful transition. Administering agencies play a central role in delivering clear and consistent communications across the state about the HiRUC Program through coordinated customer service and public communications efforts. Because drivers primarily engage with their county DMV for annual registration renewal, the DMVs serve as a critical point of contact during the implementation of any new programs or policy changes.

Considerations

To support the successful implementation and bolster public acceptance of the HiRUC Program, the following considerations should guide the HDOT's long-term communications strategy:

- **Clarify rate-setting and revenue use.** Public understanding of how the per-mile RUC rates are determined—and how revenues are allocated—is essential to building trust. Communications should emphasize the rationale behind RUC rate-setting, including revenue neutrality, inflation adjustments, and the linkage between RUC payments and visible roadway improvements.
- **Tailor outreach for equity and access.** Outreach must be inclusive of drivers with limited access to technology, non-English speakers, and rural communities. Outreach materials and communication efforts should be available in multiple formats and languages and distributed through trusted community channels to ensure broad accessibility.
- **Leverage county DMVs as a communications hub.** County DMVs are the primary point of contact for most drivers during vehicle registration renewal. The HDOT should work closely with the county DMVs to ensure consistent messaging, staff training, and the availability of explicit, easy-to-understand materials at service counters and online portals.
- **Anticipate and address public concerns.** Communications should proactively address common concerns, such as fairness and the transition timeline. Messaging should be transparent about the coexistence of fuel taxes and the RUC during the phase-in period and clearly explain how credits or reconciliations will work. Clearly communicating that RUC is a fairer user-pays structure in which

all drivers pay for the miles they drive, rather than by what kind of car they drive or can afford, is important in emphasizing long-term fairness. Messaging should be dynamic throughout all phases to adjust to changes in target demographics.

- **Coordinate across agencies and stakeholders.** A unified communications approach, developed in partnership with state agencies, county agencies, stakeholders, and community organizations, will help ensure consistency and credibility. The HDOT could consider establishing a communications working group, either independent or as an extension of a future implementation working group to align messaging and share best practices.
- **Monitor public sentiment and adapt**. Ongoing evaluation of public feedback, media coverage, and engagement metrics should inform the HDOT of the adjustments needed to the program's overall operations and communications strategies. The HDOT should consider periodic surveys and stakeholder interviews to evaluate public understanding, gauge acceptance levels, and identify areas requiring clarification.

APPENDIX A. LONG-TERM TRANSITION ADVISORY GROUP ROSTER

The following roster represents those who were invited and who participated in the HDOT's Long-term Transition Advisory Group. The LTAG met four times throughout 2025 to advise the HDOT on its long-term transition recommendations and considerations.

LTAG Member	Organization
Sen. Chris Lee	Chair, Senate Transportation Committee
Rep. Darius Kila	Chair, House Transportation Committee
Marianne Kim	AAA
Tiffany Yajima Curt Augustine	Alliance for Automotive Innovation
Milikaleakona Hopoi Nadia Holt	Chamber of Commerce Hawai'i*
Mark Inamasu Connie Kaneshiro Andy Kawano	City and County of Honolulu, Budget & Fiscal Services
Jeff Mikulina	Climate Hawai'i*
Malia Kekai Merrick Nishimoto Diane Nakagawa	County of Hawai'i, Department of Finance
Michelle Lizama	County of Kaua'i, Department of Finance
Marcy Martin Maria Zielinski	County of Maui, Department of Finance
Melissa Pavlicek	Hawai'i Auto Dealers
Noel Morin Nanette Vinton	Hawai'i EV Association
Heather Kimball Nahelani Parsons	Hawai'i State Association of Counties
Daniel Naho'opi'i Caroline Anderson	Hawai'i Tourism Authority
Devin Thomas	Hawai'i Appleseed*
Aki Marceau	Hawaiian Electric
Kathleen Rooney Matthew Derouin	Ulupono Initiative

LTAG Member	Organization
Lee Nagano Toby Wakumoto Ami Scronce Randall Landry	HDOT Motor Vehicle Safety Office
Edwin Sniffen Robin Shishido Mindy Kimura, LTAG Chair	Hawai‘i Department of Transportation

**Organizations invited to participate in the LTAG but did not attend meetings.*

APPENDIX B. KEY POLICY CONSIDERATIONS SHAPING RECOMMENDATIONS

This appendix provides additional context and policy considerations on each of the priority transition topics evaluated as part of the LTAG process. Together with the HiRUC project team, the LTAG members examined these top priority topics through the "North Star" guiding principles of financial sustainability, operational feasibility, and public acceptance. All are critical for a successful transition to a RUC.

Detailed considerations include the highest-priority policy, technology, operational, organizational, and administrative topics to address as Hawai'i transitions from today's EV-only RUC to a comprehensive statewide RUC program for all light-duty vehicles by 2033.

Per-Mile Rate Setting

Determining the per-mile RUC rate is both a financial and a political decision. The per-mile RUC rate must generate sufficient revenue to maintain Hawai'i's transportation system while remaining publicly acceptable and financially feasible for drivers. Primary considerations raised through the LTAG discussions include:

- **Revenue target**. Rates could be set to achieve revenue neutrality with existing fuel tax collections (currently about 0.8 cents per mile) or adjusted to reflect the actual cost of road preservation and deferred maintenance. The LTAG members noted that today's fuel tax revenues are already insufficient to sustain the transportation system. Other members pointed out that fuel taxes alone are not expected to fully fund the system—other transportation taxes and fees also have a significant role in the funding scheme. A higher revenue target could be set for the HiRUC Program based on the expected forecast of network spending for roadway improvements and maintenance.
- **Gross vs. net revenues**. Because the costs to collect the RUC is likely to exceed the existing costs for collecting fuel taxes, the RUC rates may need to be based on the net revenues generated after factoring in the costs of the RUC program's administrative expenses.
- **Rate caps**. As shown in the HiRUC Program for EVs only, an initial annual rate cap—such as $50 per year—can improve public understanding and acceptance during the early phases of transition. However, rate caps for a RUC program will significantly reduce transportation revenue, in comparison to the revenue of the fuel tax, because no driver will ever pay more than $50. In looking at the structure of the fuel tax, there is no cap for the amount that drivers pay for their fuel taxes, preserving the driver-pays principle. In the long term, a cap on the annual RUC is inconsistent with this driver-pays principle, in which all drivers pay for the miles they drive. The LTAG members stated that if the annual RUC cap were to remain in place, it should be indexed to inflation.

- **Tiered rates**. Some participants proposed a tiered rate structure, such as a lower per-mile rate after 12,000 annual miles (which represents higher than average annual miles driven in Hawai‘i). For administrative simplicity and to avoid subsidizing high-mileage drivers or unfair privileges to specific industries or groups of drivers, others preferred a single flat rate for all.
- **Inflation adjustments**. To maintain purchasing power, the RUC rate could be periodically adjusted using an inflationary index, perhaps through cost-allocation studies generated and proposed by the HDOT, which would be reviewed by the Legislature every three years for adoption.
- **Integration with other vehicle taxes and fees**. Drivers should ideally make one combined payment at registration, consolidating the state weight tax, the state registration fee, and the state RUC. Over time, Hawai‘i could explore integrating the calculation and presentation of these three items into a single road usage fee.
- **Policy alignment**. Although the RUC is primarily a revenue mechanism, rates could be fine-tuned over time to reflect a broader range of policy factors (e.g., safety, demand, infrastructure impacts), provided the transportation funding system remains financially sustainable and publicly acceptable.

Vehicle Eligibility and Phase-In

A variety of options were considered by the LTAG, including:

- **By fuel or engine type.** One practical approach is to extend a RUC first to hybrid and PHEVs beginning around 2029, followed by conventional internal combustion engine vehicles (ICEVs). This aligns with the LTAG’s guidance to move gradually while maintaining administrative simplicity.
- **By vehicle use class.** Some LTAG members suggested distinguishing personal, fleet, rental, or delivery vehicles, given Hawai‘i’s large tourism-based rental fleet,[5] and a growing delivery sector. However, a majority noted that purpose-based differentiation may complicate administration and enforcement and could be perceived as granting unfair privileges to specific industries or groups of drivers.
- **By model year.** Phasing in by vehicle model year, such as applying a RUC to all model year 2030 and newer vehicles first, was recognized as the simplest to administer. Model year data are already verified in every registration record, so there is no need for DMV or vehicle owners to research, define, and distinguish vehicles based on specific characteristics such as engine technologies.
- **By other characteristics.** Vehicle weight could theoretically serve as an eligibility criterion, but this factor is addressed through Hawai‘i’s existing weight tax. Using weight to determine the RUC

[5] The topic of how the HiRUC Program will be administered for rental vehicles is being discussed under a separate HDOT-led effort.

eligibility could lead to a duplication of the purpose of the existing weight tax and frustration among the public.

Key Considerations

- A phased-in approach allows the HDOT, the counties, and the DMVs to scale up staff and technology gradually and enables all agencies to address issues in a more manageable and low-risk way.
- Keeping the existing fuel tax in place during the early phases of program expansion (for example, crediting fuel tax payments against the RUC) may reduce financial shock and backstop the State Highway Fund during the HiRUC Program's transitional period(s).
- The phase-in schedule must be communicated clearly and early so that vehicle owners understand why and when they will be included in the program.

Payment Options and Compliance

A durable RUC system must offer payment options that are manageable for vehicle owners without compromising financial sustainability or administrative affordability. Compliance processes should be fair yet effective. Primary considerations raised through the LTAG discussions include:

Payment Methods and Timing

- Hawai'i's current RUC for EVs is post-pay, assessed at the time of registration renewal based on the actual miles driven. Future options could include pre-pay (e.g., buying mileage blocks in advance or funding a wallet to be drawn down), periodic pay (monthly or quarterly billing), or hybrid systems that combine convenience and accountability.
- The LTAG favored a single post-pay at the time of registration renewal, since the timing and payment align with the existing DMV systems and simplifies compliance and enforcement. However, this approach concentrates payment to once per year and may create financial hardships for some households. The HDOT could study the operational feasibility of implementing payment installments or third-party payment plans as the program expands.

Treatment of Prior Fuel Tax Payments

- During the transition phases in which both RUC and the fuel tax will coexist, PHEV, hybrid, and gasoline-vehicle owners will effectively pay both, unless a credit system is established. During the transition phases, the preferred approach is to keep the fuel tax in place temporarily and to provide a credit for the fuel taxes paid against the RUC, which will be reconciled at the time of vehicle registration.

Compliance and Enforcement

- Registration compliance is already high—96 percent of vehicles statewide and 98.5 percent of EVs statewide—but late or lapsed registrations still represent thousands of vehicles. Drivers with late or lapsed registrations could also avoid RUC payments, in addition to the other weight taxes and registration fees.
- Enforcement can primarily rely on the existing DMV and inspection processes, supplemented by gentle but visible outreach, rather than punitive measures. A focus on public education and proactive reminders could be a more effective approach towards positive reinforcement, as opposed to costly and negative punitive measures associated with fines and law enforcement.
- The counties have noted that they will require additional support if their enforcement duties expand. The HDOT may consider data-sharing agreements and improved coordination with the county DMVs to ensure statewide compliance.

Key Considerations

- Offer simple, trusted payment options first, then expand digital options as technology matures and circumstances warrant.
- Assess the RUC program and registration for compliance closely through continuous monitoring and annual reporting.
- Maintain transparency about how RUC revenues are being expended; the clear linkage of the RUC payments to visible road improvements could help build voluntary compliance.

Administrative Costs and Level of Service

As the HIRUC Program's participation expands from the current thousands of EVs to the more than one million light-duty vehicles, the HDOT and its partners must ensure that administrative capacity grows concurrently with demand.

Key Considerations

- **State responsibilities**. The HDOT will continue to administer both the HiRUC Program and the motor vehicle inspection program, including the collection of odometer readings, setting policy and administrative rules, managing rate-setting studies, overseeing compliance monitoring, and coordinating technology systems through the Department of Information Technology (DIT). The state should also track administrative cost ratios.
- **County responsibilities**. County DMV offices are the front-line personnel for vehicle registration information and customer inquiries. Their staffing and training needs will increase as the HiRUC Program expands. Funding to the counties for these services should be predictable and sufficient

to maintain the service levels of their existing operations in addition to the operations of the HiRUC Program.

- **Cost containment**. Administrative costs for the RUC collection are naturally more costly than the fuel tax but can be kept reasonable. For example, New Zealand operates at approximately two percent of revenue by leveraging existing systems and digital processes rather than creating stand-alone infrastructure.[6]
- **Private sector roles**. As the HiRUC Program scales, private vendors such as technology providers or payment processors may assist in enabling enhanced program features such as electronic recording and reporting, account management, and/or customer service. The LTAG noted that partnerships must be carefully structured to safeguard data privacy and security. While implementing enhanced technologies or private service provision may involve higher initial costs, they may also support meeting the increased service level demands.
- **Public communication and support**. The HiRUC Program marks a significant cultural and administrative transformation. To ensure that customer interactions foster transparency, clarity, and trust—particularly at DMV counters—robust public outreach and staff training will be essential.

Discounts and Exemptions

The state's fuel tax and registration fee laws currently allow certain exemptions. Other motor vehicle tax and fee exemptions could support other public policy preferences or promote more equitable outcomes for the population. Other exemptions may also be required by law.

Possible Bases for Consideration

- **Vehicle type.** Agricultural vehicles that rarely travel on public roads may remain exempt under current fuel tax statutes.
- **Owner characteristics.** Federal government vehicles are constitutionally exempt from state taxation. State vehicles receive Hawai'i statutory exemptions. LTAG discussions suggested exploring future income-based relief mechanisms to

A break from past fuel tax policies. Over time, numerous fuel tax exemptions have been added to state law (see tables in **Appendix C**). While many were justified when first enacted, the LTAG concluded that, with two narrow but well-founded exceptions, the guiding principle should be that all drivers contribute to the cost of the public roadways they use and contribute to the RUC. The only recommended exemptions are for agricultural vehicles that are not authorized to operate on public highways, and vehicles owned by the federal government, which are constitutionally exempt from state taxation.

[6] New Zealand has a much larger scale of RUC program operations, including all medium and heavy-duty vehicles, which comprise of 20 percent of their vehicle fleet but raise around 70 percent of revenue with much higher RUC rates than light-duty vehicles.

protect low-income households from disproportionate burdens, which might be addressed through broader tax policy rather than the RUC itself.

- **Trip purpose.** Limited exemptions could be considered for nonprofit or community service vehicles (e.g., food bank deliveries) if fiscal impacts are negligible. This may raise significant challenges around administration and enforcement, since the motor vehicle registry does not identify these characteristics.
- **Geographic location.** Some LTAG members noted that rural drivers tend to travel longer distances. However, the prior HiRUC Demonstration Pilot distributional analyses[7] showed that roughly 90 percent of drivers would pay approximately $35 of what they currently pay in fuel taxes.

Key Considerations

- Any exemption should be justified by statute and accompanied by an analysis of fiscal impact.
- Because a RUC is intended to replace—not supplement—the fuel tax, any exemptions created for a RUC should be consistent with state fuel tax exemptions and not expand beyond those already in law.
- A RUC will not disincentivize the purchase or operation of more fuel-efficient vehicles that offer lower emissions. At the same time, a RUC should not be the primary tool for delivering environmental or social incentives; those objectives can be better achieved and exemplified through other state programs, as has been accomplished in other initiatives such as the residential electricity sector.

[7] Hawai'i Road Usage Charge Demonstration Final Report (August 2022). Appendices (Volume II), Appendix D: RUC and Rural Drivers, p. 3

APPENDIX C. FUEL TAX, VEHICLE REGISTRATION, AND WEIGHT TAX EXEMPTIONS

Table 1. Fuel Tax Exemptions

Exempt Group or Use	Conditions	Statutory Reference
Off-highway Use of Diesel and LPG	Requires exemption certificate or refund claim	HAR §18-243-4-02
Sales to Licensed Distributors	Fuel sold to another licensed distributor	HRS §243-7
Sales to the Federal Government	Fuel sold for official federal government use	HRS §243-7
Exported or Interstate/Foreign Commerce	Fuel exported or sold for use outside Hawai‘i	HRS §243-7
Alternative Fuels for Non-engine Use	Fuel used for heating or industrial purposes, not in internal combustion engines	HRS §243-4(c)

Table 2. Vehicle Registration Exemptions

Exempt Group or Use	Conditions	Statutory Reference
Off-highway Use of Diesel and LPG	Requires exemption certificate or refund claim	HAR §18-243-4-02
Sales to Licensed Distributors	Fuel sold to another licensed distributor	HRS §243-7
Sales to the Federal Government	Fuel sold for official federal government use	HRS §243-7

Table 3. Weight Tax Exemptions

Exempt Group or Use	Statutory Reference	Notes
Official Government Vehicles	HRS §249-4	Applies to federal, state, and county-owned vehicles
Vehicles Furnished to Disabled Veterans	HRS §249-6	Applies to cars provided by the federal government due to service-related disabilities
Active-Duty Military Personnel	HRS §249-6.5	One noncommercial vehicle per qualifying service member

Exempt Group or Use	Statutory Reference	Notes
Nonresident Active-Duty Service Members	HRS §249-6.5	Requires submission of form CS-L(MVR)50
Vehicles Used for Agricultural Purposes	HRS §249-33(d)	Refund available upon proof of exclusive agricultural use
Antique Motor Vehicles	HRS §249-33(a)	Subject to a reduced annual tax of $10

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