STATE OF HAWAI'I
PRE-TAX TRANSPORTATION BENEFIT PROGRAM

A Pre-Tax Benefit for Eligible State of Hawai'i Employees

Summary Program Description

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Table of Contents

1. INTRODUCTION 1
2. SCOPE 1
3. DEFINITIONS 1
4. PLAN ADMINISTRATION 3
5. GENERAL PROVISIONS 3
   Benefit Coverage 3
   Maximum Benefit Limits 4
   Participation 4
   Payroll Deductions 5
   Insufficient Earnings 5
   Termination of Participation 5
   Reimbursement 6
   Forfeiture 6
   Appeals 7
   Other Program Provisions 7

1. INTRODUCTION

The State of Hawaiʻi Pre-Tax Transportation Benefit Program is established to provide eligible State of Hawaiʻi Executive Branch employees two separate voluntary commuter benefit programs:
(1) transit benefits and (2) parking benefits. The program gives employees the opportunity to pay for eligible mass transit and parking expenses using pre-tax income in accordance with Section 132(f) of the Internal Revenue Code (Code). This voluntary program supports sustainable transportation options and reduces employees' taxable income through pre-tax payroll deductions for eligible transit, vanpool, and parking expenses. The Program is available to Eligible Employees as defined in Section 3 below.

For Program questions, contact Aviben at 808-210-2009, 888-233-4931, 1314 S. King St., Suite 304B, Honolulu, HI 96814, support@aviben.com, or www.aviben.com/islandflex.

2. SCOPE

The PTBP is available to employees of the State Executive Branch (excluding the University of Hawai'i and Department of Education) who are eligible to participate in the State of Hawaiʻi Employees' Retirement System and do not currently have a pre-tax parking payroll deduction through the State of Hawaiʻi's Flex Park Program.

3. DEFINITIONS

"Code" means the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

"Commuter Benefits" or *"Qualified Transportation Fringe Benefit"* means benefits provided to Eligible Employees that are excluded from gross income under Section 132(f) of the Code, including:

- Transportation in a commuter highway vehicle between the employee's residence and place of employment,
- Transit Passes, and
- Qualified Parking.

These benefits must meet IRS requirements to be excluded from taxable income.

"Commuter Highway Vehicle" means a highway vehicle that:

- Has a seating capacity of at least six adults (excluding the driver); and
- For which at least 80% of the mileage can reasonably be expected to be used for transporting employees between their residences and place of employment, with at least 50% of the seating capacity (excluding the driver) occupied during such trips.

Note: The 80/50 rule does not apply to private or public transit-operated vanpools (i.e., vanpools that are not employer- or employee-operated). Therefore, where available, ride-sharing services can qualify for vanpooling based only on the vehicle meeting the capacity requirement of having seating for at least six adults, not including the driver.

"Commuter Parking Account" means the benefit account under the Commuter Benefits program for Qualified Parking expenses.

"Commuter Transit Account" means the benefit account under the Commuter Benefits program for Qualified Transit expenses.

"DHRD" means the State of Hawaiʻi Department of Human Resources Development.

"*Director"* means the Director of DHRD.

"Election" means the employee's chosen monthly pre-tax contribution amount under the Program.

"Eligible Employee" means an employee of the State Executive Branch (excluding the University of Hawaiʻi and Department of Education) who is eligible to participate in the State of Hawaiʻi Employees' Retirement System and does not currently have a pre-tax parking payroll deduction through the State of Hawaiʻi Flex Park Program.

"Eligible Expense" means transit and parking expenses permitted under Section 132(f) of the Code.

"Month" means a calendar month.

"Monthly Exclusion Limits" mean the IRS-established monthly maximum amount that may be excluded from gross income under Section 132(f) of the Code, as adjusted annually.

"Program" or *"PTBP"* means the State of Hawaiʻi Pre-Tax Transportation Benefit Program, a qualified transportation fringe benefits plan authorized under Section 132(f) of the Code and established under this Summary Program Description.

"Qualified Parking" means parking provided to an employee (a) on or near the employer's business premises, or (b) on or near a location from which the employee commutes to work by transit, vanpool, or carpool. It does not include parking at or near the employee's residence.
"State" means the State of Hawaiʻi.

"Third-Party Administrator" or *"TPA"* means the administrator contracted by the State to administer the Program. As of July 1, 2026, the Program's TPA is Aviben.

"Transit Pass" means any pass, token, farecard, voucher, or similar item entitling a person to transportation (or transportation at a reduced price) on:

- Mass transit (publicly or privately operated), or
- In a vehicle that seats at least six adults (not including the driver) and that is operated by a person in the business of transporting passengers for compensation (e.g., vanpool services, etc.).

4. PLAN ADMINISTRATION

The program is administered by DHRD, which may delegate responsibilities or contract with a TPA to manage day-to-day operations, enrollment, claims processing, recordkeeping, and customer service. The State remains responsible for payroll deductions and determination of employee eligibility.

The Program shall be administered in a nondiscriminatory manner and in accordance with the Code and other applicable federal and State laws.

Participation in the program is entirely voluntary and may be elected, changed, or canceled at any time, subject to monthly processing deadlines.

This Summary Program Description implements the Program and is intended to comply with the requirements of the Code. In the event of any conflict between this document and the Code, the provisions of the Code shall prevail.

5. GENERAL PROVISIONS

Benefit Coverage

The Program allows Eligible Employees to pay for qualified commuter expenses on a pre-tax basis through two separate benefit accounts: the **Commuter Transit Account** and the **Commuter Parking Account**, each subject to applicable tax regulations.

Commuter Transit Account

Eligible expenses include:

- Public transit passes or fare media (e.g., bus or rail passes, Handi-Van passes, smartcards or similar fare cards used to purchase rides on an eligible public transit system, etc.); and
- Eligible vanpool seat fees.

Commuter Parking Account

Eligible expenses include:

- Qualified Parking expenses incurred for parking at or near the employee’s workplace, or at or near a location from which the employee commutes to work via public transit, vanpool, or carpool, as permitted under applicable IRS regulations. Residential or non-work-related parking is not eligible.

Commuter Benefits under the Program are for the exclusive use of the enrolled employee. Benefits may not be transferred, assigned, or used by the employee’s spouse, dependents, or others. Commuter Benefits for Commuter Parking and Commuter Transit are established as separate benefit categories in accordance with applicable tax regulations. Amounts contributed to one category may not be transferred, reclassified, or used to reimburse expenses incurred under the other category.

Employees who have a payroll deduction for pre-tax parking in a State-controlled lot are not eligible to participate in the Program. This restriction ensures compliance with Program eligibility rules and prevents duplication of benefits.

Maximum Benefit Limits

The total amount an employee may exclude from gross income under the Program shall not exceed the Monthly Exclusion Limits.

Participation

Participation in the Commuter Benefits program is voluntary and available to employees who meet the definition of an Eligible Employee in Section 3 of this Summary Program Description.

Eligible Employees may enroll in the Program at any time during the year by submitting an election through the Program's TPA. Elections and election changes will be effective in accordance with the Program's monthly processing deadlines, generally on a prospective, month-by-month basis and will take effect as soon as administratively feasible. Generally, requests received by the 20th of the month will take effect the first day of the following month and changes submitted after the 20th of the month will take effect on the first day of the second month following submission.

Once enrolled, an employee's elected payroll deduction shall continue provided the employee remains an Eligible Employee or until the employee submits a change or cancellation request. Elections may be reduced or stopped prospectively; however, payroll deductions already taken cannot be refunded.

Commuter Benefits for Commuter Parking and Commuter Transit are maintained as separate accounts. Funds cannot be transferred between accounts or used interchangeably. Funds elected or contributed for parking may only be used for eligible parking expenses, and funds contributed for transit may only be used for eligible transit expenses. Transfers between parking and transit accounts are not permitted.

No reimbursement will be provided while an employee is on an extended leave of absence without pay, but reimbursement may resume when the employee returns to active employment.

Employees may change or cancel their Commuter Benefits election at any time. Cancellations must be submitted by the 20th of the month to take effect the following month. Cancellation deadlines are specified below.

Employees who cancel participation may re-enroll at any time, subject to the same enrollment deadlines and eligibility requirements.

Payroll Deductions

Pre-tax deductions for Commuter Benefits shall be made from the employee's paycheck prior to the calculation of federal income tax, FICA, and State income tax. The amount deducted shall correspond to the employee's monthly election for eligible Transit Pass, vanpool, and Qualified Parking expenses, as administered by the Program's TPA.

Elected payroll deductions shall automatically continue as long as the employee continues to be an Eligible Employee or until the employee changes their election amount or stop deductions.

Deductions shall be processed through the State's payroll system and remitted to the TPA for disbursement or reimbursement, as applicable.

Insufficient Earnings

If an employee has insufficient pay, no deduction will be taken. Missed deductions will not be collected retroactively. Deductions will resume once sufficient earnings are available.

Termination of Participation

Employees may elect to terminate participation in the Program at any time. Terminations will be processed in accordance with administrative procedures and will take effect once processed. Cancellations must be received by the 20th of the month for inclusion in the payroll file to be effective the following month. Requests received after the 20th of the month will be processed for the next available month.

An administrative cancellation of Commuter Benefits participation may be made by the State, the TPA, or a designee under any of the following circumstances:

- *Loss of Eligibility*. The employee is no longer eligible to participate in the Program due to a change in employment status or other eligibility criteria as provided in the definition of "Eligible Employee."
- *Termination of Employment*. The employee separates from State service, including resignation, retirement, or termination, with or without prior notification.
- *Death*. The employee passes away. Cancellation shall be effective as of the date of death.
- *Violation of Program Rules*. The employee commits a violation of applicable State policies, administrative rules, or Program rules, including misuse of benefits or providing false information.

Unless an effective date is specified above, administrative cancellations will take effect as soon as administratively feasible.

Reimbursement

IRS rules determine which expenses are eligible. In general, eligible expenses by Program are as follows:

Commuter Transit Account

Eligible expenses include:

- Public transit passes or fare media (e.g., bus or rail passes, Handi-Van passes, smartcards or similar fare cards used to purchase rides on an eligible public transit system); and
- Eligible vanpool seat fees.

Commuter Parking Account

Eligible expenses include:

- Qualified Parking expenses incurred for parking at or near the employee's workplace, or at a location from which the employee commutes to work via public transit or vanpool, as permitted under applicable IRS regulations. Residential or non-work-related parking is not eligible.

All expenses must be incurred for the employee's own commute between their residence and place of employment and must comply with the requirements of Section 132(f) of the Code.

To request reimbursement, employees must submit a completed reimbursement claim through the Program's TPA, provide itemized receipts or proof of payment, and submit the claim within 180 calendar days of the date the expense was incurred. Claims submitted after that date will not be paid pursuant to the IRS's approved substantiation timeframe.

Claims submitted after termination of participation in the Program must be received within 90 calendar days of the termination date and must be submitted within 180 calendar days of the date the expense was incurred. Reimbursements under the Program will be issued only up to the amount of the employee's available pre-tax balance and within the applicable IRS limits.

Forfeiture

Account balances will be automatically rolled over month-to-month and year-to-year, provided the employee remains eligible to participate in the Program. However, upon termination of participation due to separation from State service or other reason, all claims must be received within 90 calendar days of the termination date. Failure to submit claims within this period will result in the forfeiture of any remaining funds.

In accordance with IRS regulations, unused pre-tax contributions cannot be refunded to the employee, transferred to another benefit program, or used for non-qualified purposes.

Employees may stop and restart payroll contributions at any time. Stopping contributions does not result in forfeiture of existing account balances. Remaining funds may be used for eligible expenses incurred while the employee is actively employed and eligible under the Program, subject to the

Program’s claims submission deadlines. If an employee resumes contributions after a period of no payroll deductions, any remaining prior balance will continue to be available for eligible expenses.

Appeals

Except as otherwise provided by law, an employee may appeal any decision regarding participation in or administration of the Program.

To initiate an appeal, the employee must submit a written statement to the Director within 30 calendar days after receiving the decision being appealed. The written appeal must include:

- A clear statement of the decision being appealed,
- All reasons for the appeal, and
- All facts and supporting documentation the employee wishes to be considered.

The Director shall review the appeal and issue a written response or decision within 60 calendar days of receiving the appeal. The Director may request additional information from the employee or other relevant parties as needed to make a determination. The Director’s response or decision shall be final and conclusive.

Other Program Provisions

- *Effects of the Program on Employment*. The Program shall not be deemed to constitute a contract of employment between the State and any participant or to constitute consideration for or an inducement of the employment of any participant or Eligible Employee. Nothing contained in this Program shall be deemed to give any participant or Eligible Employee the right to be retained in the service of the State or to interfere with the right of the State to terminate any participant or Eligible Employee at any time regardless of the effect which such termination will have upon the individual as a participant of the Program.

- *Tax Consequences*. Neither the State nor the Director makes any warranty or other representation as to whether or not any benefits received by an Eligible Employee participating in the Program shall be treated as includible in gross income for federal and State income tax purposes.

- *Transfer of Benefits*. Except as otherwise provided in this Summary Program Description, benefits under the Program shall not be voluntarily or involuntarily transferred, assigned, or alienated.

- *Computation of Time*. Except as otherwise provided in this Summary Program Description, whenever a period of time is stated in terms of days the period shall mean calendar days.

- *Headings and Captions*. The headings and captions set forth herein are provided for convenience only and shall not affect the construction or interpretation of the Program.

- *Liability of the State*. The State, including its employees, shall not be liable for any loss, taxes, or penalties due to an error or omission in administration of the Program unless the loss, taxes, or penalties are due to the gross negligence or willful misconduct of the State.

- *Severability*. If any provision of this Summary Program Description or the Program is declared to be invalid or unenforceable, such invalidity or unenforceability shall not affect the validity or enforceability of the remaining provisions and this Summary Program Description and the Program shall be construed and enforced as if such provision had not been included.

- *Applicable Law*. The Program shall be construed and enforced according to the Code and the laws of the State (to the extent not preempted by federal law).

- *Amendment or Termination of the Program*. The State or the Director may amend or terminate the Program in whole or in part, for any reason, and at any time without the consent of any employee or other person. The State or the Director may amend or modify the plan retroactively to enable the Program to provide Qualified Transportation Fringe Benefits under the Code.