

Date of Hearing: February 12, 2008

Committee: Senate Economic Development
and Taxation

Department: Education

Person Testifying: Patricia Hamamoto, Superintendent

Title: S.B. 2300, SD 1, Relating to taxation.

Purpose: Provides a tax credit to teachers for professional development and training expenses.

Department's Position: The Department of Education (Department) appreciates the Legislature's efforts to support teachers who seek professional development. However, the Department will defer to the Department of Taxation on the issue of tax credits.



KAMEHAMEHA SCHOOLS

Written Testimony to the Senate Committee on Economic Development and Taxation
Hearing Date: Tuesday, February 12, 2008
9:25 a.m. – Conference Room 224

By Walter Kahumoku, III
Director, Teacher Education and Professional Development
Kamehameha Schools

Tuesday, February 12, 2008

Re: SB 2300, SD1 Relating to Taxation

Good afternoon Chair Fukunaga, Vice Chair Espereo and members of the Economic Development and Taxation Committee. My name is Walter Kahumoku and I am the Director of Teacher Education and Professional Development for Kamehameha Schools. Thank you for this opportunity to testify in support of SB 2300, SD1.

Kamehameha Schools applauds the legislature for its interest in increasing the number of quality teachers in Hawaii. We have been participating extensively in the Early Learning Education Task Force established by the legislature and strongly support, among other education initiatives, funding measures for charter schools. We are in support of SB 2300, SD1. We hope to be a continued participant in the dialog concerning teacher quality and workforce development.

Founded in 1887, Kamehameha Schools is a statewide educational system supported by a trust endowed by Princess Bernice Pauahi Bishop, whose mission is to improve the capability and well-being of Native Hawaiian children through education. We serve 5,400 K-12 students through campus programs on O'ahu, Hawai'i and Maui, and 1,317 three-and-four-year-olds at 31 preschool sites statewide. Last year, we provided \$4.4 million in scholarships to 850 keiki attending community preschools.

Thank you for the opportunity to testify.

L E G I S L A T I V E

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Credit for public school teachers

BILL NUMBER: SB 2300, SD-1

INTRODUCED BY: Senate Committee on Education

BRIEF SUMMARY: Adds a new section to HRS chapter 235 to allow taxpayers who are public school teachers to claim a public school teacher income tax credit of 100% of the professional development and training expenses incurred during a taxable year not to exceed \$ _____. The tax credit shall only be available to a teacher who was employed at a qualifying educational institution for the school year in which the tax credit is claimed. If the teacher has claimed the professional development and training expenses as business expense as an itemized deduction, the teacher shall not be eligible for this credit.

Tax credits in excess of income tax liability shall be applied to subsequent income tax liability. Allows the director of taxation to adopt necessary rules and forms pursuant to HRS chapter 91 to carry out this section. Claims for the credit, including any amended claims, must be filed on or before the end of the twelfth month following the close of the taxable year. Directs the department of education to certify to the department of taxation which teachers qualify for the tax credit. Requires the department of taxation to report to the legislature annually prior to the convening of each regular session on the number of taxpayers claiming the credit during the tax year and the total cost of the tax credit to the state during the past year.

Defines "professional development and training expenses," "qualifying educational institution," and "teacher" for purposes of the measure.

EFFECTIVE DATE: Tax years beginning after December 31, 2007

STAFF COMMENTS: It appears that this measure is proposed as an incentive to encourage taxpayers who are public school teachers to take professional development and training classes by granting them an income tax credit. Inasmuch as the credit would be equal to 100% of the cost of that continuing education, it is nothing more than a reimbursement of the costs. Why use the tax system to administer this program when a direct reimbursement by, say the department of education, would be far more efficient and more accountable?

Further, it should be noted that the tax credit is discriminatory as it would apply only to public school teachers. What about teachers in private institutions where the compensation and benefits are generally less generous than in the public school system? The use of tax credits for the purpose proposed in this measure is an inefficient method of accomplishing this goal. Tax credits are generally granted to provide relief from an undue burden of taxes imposed on a group of taxpayers. The adoption of this measure cannot be justified. If nothing else, this proposal represents nothing more than political pandering to the public school teachers.

Digested 2/11/08

LINDA LINGLE
GOVERNOR

JAMES R. AIONA, JR.
LT. GOVERNOR



KURT KAWAFUCHI
DIRECTOR OF TAXATION

SANDRA L. YAHIRO
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809

PHONE NO: (808) 587-1510
FAX NO: (808) 587-1560

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT & TAXATION

TESTIMONY REGARDING SB 2300 SD 1 RELATING TO TAXATION

TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)

DATE: FEBRUARY 12, 2008

TIME: 9:25AM

ROOM: 224

This bill would establish an income tax credit for teachers for professional development and training expenses.

The Committee on Education amended the measure by prohibiting a teacher that claims a deduction with the educational expenses from also claiming the credit proposed by the bill.

The Department of Taxation ("Department") **prefers the Lingle-Aiona Administration measures provided in the Hawaii Educator Loan program (SB 3039) and Lifelong Learning Accounts (SB 3091).**

I. PROFESSIONAL TRAINING AND DEVELOPMENT FOR TEACHERS IS IMPORTANT.

This bill would allow teachers to receive a tax credit for professional development and training expenses. The Department understands the importance of a highly educated workforce of educators for Hawaii's youth. An effective way to ensure Hawaii teachers are at their highest peak of skill is through encouraging additional education.

While the Department stands behind the intent of this legislation, because of budget priorities this credit should not be implemented. Teachers' educational expenses can already be deducted as a business expense under IRS Code Section 162. Though this bill was amended to preclude a double tax benefit, other equally important priorities for training Hawaii's workforce, including teachers, should be considered.

The Department suggests that the Committee consider the Administration's Hawaii Educator

Loan program provided in SB 3039, which allows recipients to attend any university or college with a State-approved teacher education program and allows them to teach at traditional public or charter schools as a way to repay the loan. And, for purposes of encouraging continuing education, the Department suggests the Committee consider patterning incentives after the Administration's Lifelong Learning Accounts in SB 3091, which provides a tax credit for contributing to an educational fund where matching funds can be leveraged in order to provide additional learning. What's more, is that the Administration's Lifelong Learning Account programs would apply for other industry sectors as well.

II. REVENUE ESTIMATE.

This legislation will result in an indeterminate revenue estimate because the credit cap is unspecified. However, based upon the following credit caps, the revenue impact would be as follows:

For varying amounts of credit limits, the loss is an annual loss starting in FY2009:

Credit	Revenue loss
\$2,500	\$25 million annually
\$1,000	\$10 million annually
\$ 500	\$5 million annually.

These impacts assume that teachers will take the credit up to the maximum allowable per year.

There are approximately 11,000 teachers in Hawaii. From individual school budget statements, it is estimated that 90% of teachers are non-resource-teachers, thus would meet the 70%-classroom-time restriction. Thus with 9,900 eligible teachers, with a 100% participation rate, the annual revenue cost would be (credit limit) x 9,900.

For credit limits below \$2,500, it should fall under the tax liability of most qualified teachers, thus carry-over effects can be ignored.