

Date of Hearing: January 28, 2008

Committee: Senate Education

Department: Education

Person Testifying: Patricia Hamamoto, Superintendent

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

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

Department's Position: The Department of Education (Department) supports S.B. 2300. However, we have a concern that the tax credit is limited to teachers with no less than 70 percent of their formal employment time in direct classroom instruction. The Department has many teachers that are considered support staff and work directly with teachers and schools as mentors and consultants and would not meet the minimum 70 percent classroom instruction requirement to take advantage of the tax credit. It is imperative that these support staff teachers take classes, workshops and other training opportunities to keep up with the latest innovations in teaching, and practices to continue assisting other teachers and schools. Also, many of these support staff teachers may want to choose to return to the classroom in the future. Therefore, we believe that support staff teachers should also have access to the professional development tax credit.

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

L A T E

SENATE COMMITTEE ON EDUCATION

TESTIMONY REGARDING SB 2300
RELATING TO TAXATION

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

DATE: JANUARY 28, 2008

TIME: 1:15PM

ROOM: 225

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

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. This legislation would result in an overlapping tax benefit, where taxpayer would receive both a deduction and credit for the same expense.

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.

L E G I S L A T I V E

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126 Queen Street, Suite 304

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SUBJECT: INCOME, Credit for public school teachers

BILL NUMBER: SB 2300

INTRODUCED BY: Sakamoto and 2 Democrats

L A T E

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.

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 1/28/08

To: Senate Education Committee and ~~Human Services and Public Housing Committee~~

To: Senate Education Committee

From: Malcolm Kirkpatrick

LATE

In re: SB SB2300.

Please oppose SB2300.

This bill says:...

Qualifying educational institution means any public school, as defined in section 3022%-101, that provides education for students in grades kindergarten to twelve, or any part thereof."

"Teacher" means a taxpayer who:

(1) Holds a license or credential issued by the Hawaii teacher standards board under chapter 302A or by the department of education under any predecessor statute;

(2) Meets requirements equivalent to those for a license or credential;...

The restriction of the tax credit to teachers who work in the HSTA/HGEA/UPW cartel's schools (the "public" schools) does not enhance the cause of public education. Unions, even "public sector" unions, are private 501-C(5) corporations. Teachers in independent and parochial schools are as much "the public" as are teachers in the HSTA/HGEA/UPW cartel's schools. Students in independent and parochial

schools are as much "the public" as are students in the HSTA/HGEA/UPW cartel's schools.

The language which mentions the Teacher Standards Board is a defect which the legislature will remedy, when it comes to its senses. The Teacher Standards Board was initially to have been a temporary board which was to have recommended licensing criteria to the DOE and then to have dissolved. Before the Teacher Standards Board was empaneled, the Teacher Standards Board Planning Commission considered how to make the Board permanent and how to sell the Legislature and the HSTA membership on the idea of giving the Board power to revoke licenses of teachers already in service. It is a clear conflict of interest for this union-dominated body to have the power to revoke the license of a teacher in service. It is as though the Legislature has given to a panel of lawyers the power to determine when a lawyer on retainer may default on his obligation to defend a client.

The "standards" enunciated by the Teacher Standards Board include that teachers conform their lessons to the student content and performance standards advanced by the Final Report of the Hawaii State Commission on Performance Standards (the "Blue Book" standards), which the DOE finally abandoned as complicated, contradictory, and vague.

The "standards" enunciated by the Hawaii Teacher Standards Board include that teachers receive degrees from Colleges of Education. No statistical, empirical research supports a policy which prefers College of Education graduates over graduates with degrees in the subject they will teach.

The Hawaii Teacher Standards Board has lobbied the Legislature for enhanced pay for teachers who receive National Board for Professional Teaching Standards

(NBPTS) certification. No statistical, empirical research supports NBPTS certification.

The Hawaii Teacher Standards Board is a fraud and an embarrassment which should not receive recognition in any legislation.