

JAN 26 2009

A BILL FOR AN ACT

RELATING TO THE SCIENCE, TECHNOLOGY, ENGINEERING, AND MATH
INCOME TAX CREDIT.

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

1 SECTION 1. Since 2007, the legislature, governor,
2 department of education, university of Hawaii community
3 colleges, department of human services, and department of
4 business, economic development, and tourism have worked
5 collaboratively to create an educational focus on science,
6 technology, engineering, and math programs in public schools.
7 These areas of education will help Hawaii's students develop
8 world-class analytical and problem-solving skills that will make
9 them employable in the future and help the State become globally
10 competitive.

11 This bill creates a tax credit that can be claimed by
12 individuals and businesses who donate money to directly support
13 a qualifying science, technology, engineering, and mathematics
14 academy at a Hawaii school, as certified by the department of
15 business, economic development, and tourism, in collaboration
16 with the director of academies, Honolulu community college. The
17 creation of this new funding mechanism allows the community to

1 directly support science, technology, engineering, and
2 mathematics education, which contributes to the development of
3 an internationally competitive and thriving labor force within
4 Hawaii.

5 SECTION 2. Chapter 235, Hawaii Revised Statutes, is
6 amended by adding a new section to be appropriately designated
7 and to read as follows:

8 **"§235- Science, technology, engineering, and math**
9 **education tax credit.** (a) There shall be allowed to each
10 taxpayer subject to the taxes imposed by this chapter, a
11 science, technology, engineering, and math education tax credit
12 that shall be deductible from the taxpayer's net income tax
13 liability, if any, imposed by this chapter for the taxable year
14 in which the credit is properly claimed.

15 (b) The amount of the tax credit shall be fifty per cent
16 of the amount donated to a qualifying science, technology,
17 engineering, and math academy, subject to the limitations
18 provided in this section.

19 (c) The amount of credit allowable shall be subject to the
20 following limitations per taxable year:

1 (1) For individuals other than persons filing a joint
2 return, the amount of the tax credit shall not exceed
3 \$ _____ ;

4 (2) For persons filing a joint return, the amount of the
5 tax credit shall not exceed \$ _____ ;

6 (3) In the case of a corporation, the amount of the tax
7 credit shall not exceed \$ _____ ;

8 (4) In the case of a partnership, S corporation, or estate
9 of trust, the tax credit is allowable for cash donated
10 by the entity and shall not exceed \$ _____ per the
11 return of the partnership, S corporation, or estate or
12 trust, filed in any taxable year. Allocations of the
13 tax credit shall be determined under the income tax
14 rules governing allocations of credits; and

15 (5) An allocation of tax credit under this subsection is
16 subject to the limitations in paragraphs (1), (2),
17 (3), and (4).

18 (d) The department of business, economic development, and
19 tourism shall maintain records of and certify the total amount
20 of the donations eligible for the credit made during the taxable
21 year, including donations made to a qualifying science,
22 technology, engineering, and math academy at a school. All

1 donations eligible for the credit shall be verified by the
2 department of business, economic development, and tourism, in
3 consultation with the director of academies, Honolulu community
4 college. The department of business, economic development, and
5 tourism shall total and record all of the certified donations.
6 Upon each determination, the department of business, economic
7 development, and tourism shall issue a certificate to the
8 taxpayer certifying the amount of the donations eligible to be
9 claimed as a credit. The taxpayer shall file the certificate
10 from the department of business, economic development, and
11 tourism with the taxpayer's tax return, subject to the
12 limitations in subsection (c), with the department of taxation
13 to claim the credit. The department of business, economic
14 development, and tourism shall certify no more than \$1,000,000
15 in donations in the aggregate for all taxpayers for each taxable
16 year. When the total amount of certified donations reaches
17 \$500,000, the department of business, economic development, and
18 tourism shall immediately discontinue certifying donations and
19 notify the department of taxation.

20 (e) If the tax credit claimed by a taxpayer exceeds the
21 taxpayer's income tax liability, the excess of the tax credit
22 over liability may be used as a credit against the taxpayer's

1 income liability, up to five consecutive taxable years following
2 the year of the donation until exhausted subject to the
3 limitations in subsection (c). If the credit is not exhausted
4 within the five consecutive taxable years following the year of
5 the donation, the credit expires.

6 (f) If a deduction is taken under section 170 (with
7 respect to charitable contributions and gifts) of the Internal
8 Revenue Code on the taxpayer's federal or state income tax
9 return for the amount donated to a qualifying science,
10 technology, engineering, and math academy at a school, no tax
11 credit shall be allowed for that portion of the donation for
12 which the deduction was taken.

13 (g) The term "qualifying science, technology, engineering,
14 and math academy" as used in this section means a primary,
15 middle, or high school operated by the department of education
16 that has been approved by the department of business, economic
17 development, and tourism or the director of academies, Honolulu
18 community college to participate in its science, technology,
19 engineering, and math educational programs.

20 (h) The director of taxation shall prepare forms as may be
21 necessary to claim a credit under this section. The director
22 may also require the taxpayer to furnish reasonable information

S.B. NO. 900

1 in order that the director may ascertain the validity of the
2 claim for credit made under this section. The director may
3 adopt rules necessary to effectuate the purposes of this section
4 pursuant to chapter 91.

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

11 SECTION 3. New statutory material is underscored.

12 SECTION 4. This Act, upon its approval, shall apply to
13 taxable years beginning after December 31, 2008.

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INTRODUCED BY: _____

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BY REQUEST

Report Title:

Income Tax Credit; Education

Description:

Provides an income tax credit for donations made to a qualifying science, technology, engineering, and math academy certified by the department of business, economic development, and tourism.

JUSTIFICATION SHEET

DEPARTMENT: Office of the Governor

TITLE: A BILL FOR AN ACT RELATING TO THE SCIENCE, TECHNOLOGY, ENGINEERING, AND MATH INCOME TAX CREDIT.

PURPOSE: This bill incentivizes donations in support of education and work force development in Hawaii by providing an income tax credit for contributions in support of science, technology, engineering, and math academies in schools operated by the Department of Education.

MEANS: Add a new section to chapter 235, Hawaii Revised Statutes.

JUSTIFICATION: This bill encourages partnerships between science, technology, engineering, and math (STEM) schools and the community through the creation of an income tax credit for donations given to support science, technology, engineering, and math (STEM) academies in schools in Hawaii.

This tax credit will create the unique opportunity for communities to increase public school students' exposure to relevant and stimulating educational programs that give them the skills to be qualified participants in a twenty-first century workforce.

Fifty percent of every donation that is contributed may be claimed as an income tax credit. The bill caps the total amount of donations that may be contributed in a given year at \$1,000,000 and caps the tax credit that may be claimed in a given year at \$500,000. The bill stipulates that donations be used by a school that has a qualifying STEM academy in a school operated by the Department of Education and approved by the Department of Business, Economic

Development, and Tourism, in consultation with the Director of Academies, Honolulu Community College, for activities that directly correlate to STEM instruction, such as the purchase of STEM-related curricula, classroom materials, laboratory equipment, technology, and teacher training in STEM-related fields.

This tax credit will encourage fiscal support from the future employers of students that are being prepared for the workforce through STEM education.

Impact on the public: Increases the funding provided to the educational system in Hawaii.

Impact on the department and other agencies: Assists the Department of Labor and Industrial Relations in workforce development.

GENERAL FUND: FY 2009-2010: (\$500,000)
 FY 2010-2011: (\$500,000)

OTHER FUNDS: None.

PPBS PROGRAM
DESIGNATION: None.

OTHER AFFECTED
AGENCIES: Department of Business, Economic
 Development, and Tourism, Department of
 Education, and Department of Taxation.

EFFECTIVE DATE: Upon approval, apply to taxable years
 beginning after December 31, 2008.