

# SB 2022

Measure Title: RELATING TO TAXATION.  
Report Title: Income Tax; Exemption; Grandparents; Child Care Services  
Description: Exempts for income tax purposes any amounts received by grandparents for providing child care services to their grandchildren.  
Companion:  
Package: None  
Current Referral: HMS, WAM  
Introducer(s): NISHIHARA, KAHELE, Baker, Taniguchi

# TAXBILLSERVICE

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**SUBJECT:** INCOME, Exclusion for child care services by grandparents

**BILL NUMBER:** SB 2022

**INTRODUCED BY:** Nishihara, Kahele and 2 Democrats

**BRIEF SUMMARY:** Adds a new section to HRS chapter 235 to provide that amounts received by persons for providing child care services to their grandchildren shall be exempt from state income taxation.

**EFFECTIVE DATE:** Tax years beginning after December 31, 2011

**STAFF COMMENTS:** This measure proposes to exclude from state income taxation, amounts received by grandparents for the provision of child care services to their minor grandchildren. While no specific provisions are delineated in the measure, if this measure is enacted any and all costs for child care services provided for the care of grandchildren would be exempt since there is no limitation on the dollar amount that is exempted from state income taxation and since the measure specifies that the expenses are for the care of their minor grandchildren, costs for the care of grandchildren up to the age of majority would also be exempt.

The enactment of this measure would utilize the tax system to hand out a subsidy to grandparents who care their grandchildren. This use of the tax system as is not efficient nor is it productive. The proposed exemption amounts to nothing more than a "giveaway" of taxpayer dollars through the back door by way of an income tax exemption. It represents an uncontrolled cost to state government for a program over which lawmakers will have no opportunity to review and approve the level of these "back door" expenditures. In reality, would any grandparent need a financial incentive to care for their minor grandchildren?

No doubt, in practice, more than likely compensation paid by parents for the care of their children is probably not being reported whether by grandparents or another relative. Probably the only income for the child care which is being reported is that which is received by license child care providers. Thus, a measure like this merely legitimizes an already existing practice, thus condoning that which is illegal. Note well, no such exemption exists on the federal level and, therefore, if one reports income to be excluded from state income, that income must be reported as taxable for federal income tax purposes. If the grandparent providing the childcare is also a Social Security beneficiary, the receipt of that income may reduce the amount of Social Security benefits on a two for one basis if the beneficiary is less than age 70.

Digested 1/30/12