

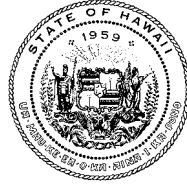
SB2484

State Income Tax Credit;
Teacher Expenses

EDU

NEIL ABERCROMBIE
GOVERNOR

BRIAN SCHATZ
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

FREDERICK D. PABLO
DIRECTOR OF TAXATION

RANDOLF L. M. BALDEMOR
DEPUTY DIRECTOR

To: The Honorable Jill N. Tokuda, Chair
and members of the Senate Committee on Education

Date: Friday, February 3, 2012
Time: 1:15 P.M.
Place: Conference Room 225, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: S. B. 2484, Relating to Taxation

The Department of Taxation (Department) appreciates the intent of S.B. No. 2484, and offers the following information and comments for your consideration.

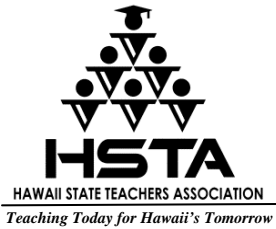
S. B. No 2484 provides a non-refundable tax credit not to exceed \$500.00 to school teachers, school librarians, and school counselors for certain expenses related to the purchase of school supplies and supplementary materials used in the classroom.

For tax years 2002 through 2011, Section 62(a)(2)(D) of the Internal Revenue Code (IRC) allowed expenses of an elementary and secondary school teacher, not in excess of \$250, to be deducted from their gross income. The State of Hawaii conformed to these provisions, which expired on December 31, 2011.

As opposed to the federal deduction, S.B. 2484 proposes a dollar-for-dollar tax credit which directly reduces the tax liability of the "qualified taxpayer." The Department notes that the definitions of "qualified taxpayer" and "certain expenses" in S.B. 2484 are very broad and could result in the claiming of tax credits for unintended expenses.

For example, the measure does not specify that the materials purchased by the taxpayer actually be used for instructional purposes, nor that the supplies and materials conform with any curriculum standards set by the Department of Education. Enforcement and administration of the proposed tax credit will be difficult for the Department.

Thank you for the opportunity to provide comments.



1200 Ala Kapuna Street λ Honolulu, Hawaii 96819
Tel: (808) 833-2711 λ Fax: (808) 839-7106 λ Web: www.hsta.org

Wil Okabe
President

Karolyn Mossman
Vice President

Joan Kamila Lewis
Secretary-Treasurer

Alvin Nagasako
Executive Director

TESTIMONY BEFORE THE SENATE COMMITTEE ON EDUCATION

RE: SB 2484 - RELATING TO TAXATION.

Friday, February 3, 2012

WIL OKABE, PRESIDENT
HAWAII STATE TEACHERS ASSOCIATION

Chair Tokuda and Members of the Committee:

The Hawaii State Teachers Association strongly supports SB 2484. If passed, SB 2484 will allow teachers to deduct a state income tax credit for up to \$500 for certain expenses paid by a teacher during the taxable year. This will help teachers be reimbursed for supplies they spend over and above what is allotted in the schools' Academic and Financial Plan.

With teacher pay- cuts, increased health care costs and the surprising cut of \$1690 from Special Education classroom supply funds, teachers have had to dig deeper into their pockets and find more creative ways to get their lessons done. The extra support for their students does affect their own families. When a teacher has an idea for a lesson that requires extra material, they will usually go out and purchase the supplies. If they waited it would disrupt their lesson plan and student learning would be affected. No teacher wants that to happen. This credit will help make that choice a little easier.

This tax credit for reimbursement would help their families and help them plan their lessons, knowing they will get their money back in their tax refund.

The Association recently conducted a survey where they asked teachers how much they were spending on additional supplies for students -- 47% of teachers responded they were spending between \$250.00 and \$500.00 a year. There were quite a few who were spending \$1000.00 or more. We were not surprised. We are all teachers and know what we have spent throughout the years to help our students be successful. It adds

up! Teachers are always being pushed to be creative and innovative with their classroom lessons, but more often than not, they are expected to do it with limited funding from schools and their own pockets. Not many employees need to pay for their own work supplies like teachers.

As a result of our survey we initiated a campaign called 50,000 Voters. Our goal was to collect signatures from voters who would support our efforts to get this tax credit introduced and passed. It was easy because the public understands what teachers do. We continue to collect signatures. Our goal is to continue to build support for this effort.

The Association believes this hearing is a positive step toward helping teachers provide the high-quality public education our keiki deserve. We all know whenever there is a benefit to teachers, students reap the rewards.

Please pass SB 2484

Thank you for the opportunity to testify.



46-063 Emepela Pl. #U101 Kaneohe, HI 96744 · (808) 679-7454 · Kris Coffield · Co-founder/Legislative Director

TESTIMONY FOR SENATE BILL 2484

**Senate Committee on Education
Hon. Jill Tokuda, Chair
Hon. Michelle N. Kidani, Vice Chair**

**Friday, February 3, 2012, 1:15 PM
State Capitol, Conference Room 225**

Honorable Chair Tokuda and committee members:

I am Kris Coffield, representing the IMUAlliance, a nonpartisan political advocacy organization that currently boasts over 150 local members. On behalf of our members, we offer this testimony in support of SB 2484, relating to taxation.

According to a report released by the National School Supply and Equipment Association, public school teachers spent \$1.33 billion out of pocket on school supplies and instructional materials during the 2009-2010 school year, an average of \$356 dollars per teacher. While down from previous years in which analysis was conducted, that number, when broken down, nonetheless amounts to \$170 on supplies and \$186 on instructional materials that should, under a well funded education system, be provided for by the Department of Education. Moreover, NSSEA attributes the decrease not to increased funding at the classroom level, but to the fact that educators, who are paid far less than professionals with comparable work experience and training, were hit hard by the recent recession and had less discretionary income to spend.

The trend is, if anything, worse in Hawaii, which has consistently ranked at or near the bottom in national cost-of-living studies and was recently ranked last in a MoneyRates.com evaluation of adjusted-average income—at \$22,107.96, Hawaii was more than \$7,000 behind Maine, the next-to-last state on the list. Thus, we urge your committee to increase state educators' purchasing power by instituting tax credits for supplies, computer equipment, and supplementary materials, which will assist in the recruitment and retention of effective teachers who might otherwise leave the state or profession because of financial encumbrances. Mahalo for the opportunity to testify in support of this measure.

Sincerely,
Kris Coffield
Legislative Director
IMUAlliance

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Tax credit for expenses of school teachers

BILL NUMBER: SB 2484; HB 1667 (Identical)

INTRODUCED BY: SB by Kidani, Baker, Chun Oakland, Dela Cruz, English, Espero, Galuteria, Ige, Kahele, Nishihara, Ryan, Tokuda, Tsutsui, 4 Democrats and 1 Republican; HB by Takumi and Belatti

BRIEF SUMMARY: Adds a new section to HRS chapter 235 to allow qualified taxpayers to claim a tax credit of up to \$500 for “certain expenses” which shall be deductible from the taxpayer’s income tax liability for the taxable year the credit is properly claimed. Defines “qualified taxpayer” as a school teacher, special education teacher, school librarian, or counselor employed by the state public education system or by a private school in Hawaii that instructs students between K-12th grade. Defines “certain expenses” as expenses paid or incurred by a qualified taxpayer that may include books, supplies (other than nonathletic supplies for courses of instruction in health or physical education), computer equipment (including related software and services) and other equipment, and supplementary materials used by the qualified taxpayer in the classroom. The credit shall be available for tax years beginning after 12/31/11.

Credits in excess of a taxpayer’s income tax liability shall be credited against a taxpayer’s subsequent income tax liability. Claims for the credit, including any amended claims, must be filed on or before the end of the 12th month following the close of the taxable year. Allows the director of taxation to adopt necessary rules and forms pursuant to HRS chapter 91 to carry out this section.

EFFECTIVE DATE: Tax years beginning after December 31, 2011

STAFF COMMENTS: This measure proposes a tax credit of \$500 for out-of-pocket expenses incurred by the teacher. While the credits proposed in this measure would be granted without regard to a taxpayer’s need for tax relief or for that matter undertaking any specific action other than to be a teacher, it can be characterized as a backdoor pay increase for teachers as the credit is a dollar-for-dollar reduction of state income tax liability. It should be remembered that using the tax system to achieve social goals, as this measure proposes, is an inefficient means of accomplishing such goals. Credits are appropriate for alleviating an undue tax burden which certainly is not the case.

It should be noted that The Working Families Tax Relief Act of 2004 extended provisions for educator expenses that were set to expire at the end of 2003 until the end of 2005. This provision allowed educators to deduct up to \$250 of qualified expenses incurred in 2005. Since the federal provisions have expired, it appears that this measure proposes to adopt similar provisions on the state level albeit a more generous credit instead of a deduction which is a reduction of gross income.

While there is much empathy for the anecdotal reports of teachers using their own funds for classroom materials, the problem is with the bureaucratic system of requesting the funds and having the system take as much as six months to approve the money. The money has been appropriated, and it is the system that

is frustrating. Thus, instead of using the tax system to “compensate” these teachers, first consideration should be given to “fixing the system.”

The suggestion has been made time and time again to give teachers debit like cards for the classroom supplies budget under EDN 100. The cards could be credited with a predetermined amount and could be encoded so that only defined classroom supplies could be purchased with that debit card. Such a system already has been employed to administer the state’s food stamp program, why can’t a similar system be established for classroom supplies rather than “mucking up” the tax system?

Instead of just throwing money at a problem, which in this case uses a tax credit, lawmakers should demand that the department fix the problem with the money that is there. It is the bureaucracy that needs to be addressed. Since the tax credit is an indirect additional burden on all remaining taxpayers as it shifts the burden to those not so favored, this proposal amounts to a tax increase and steals money from other programs.

Digested 1/27/12

Erin Conner

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 02, 2012 1:31 PM
To: EDU Testimony
Cc: kaleilima@yahoo.com
Subject: Testimony for SB2484 on 2/3/2012 1:15:00 PM

Testimony for EDU 2/3/2012 1:15:00 PM SB2484

Conference room: 225
Testifier position: Support
Testifier will be present: No
Submitted by: Monica Lima
Organization: Individual
E-mail: kaleilima@yahoo.com
Submitted on: 2/2/2012

Comments:

January 29, 2012

To Whom This May Concern:

I am writing to ask that you strongly support SB 2484 which would establish a Tax Credit of \$500 for teachers who purchase school supplies for our students. Every year I purchase supplies for my classroom, and although we get to deduct some of it on our Federal Taxes – the state does not offer any kind of reimbursement.

Over the last couple months, I received many signatures for HSTA's 50,000 Voters Campaign. So the community is definitely behind us on this matter.

Thank you for introducing something friendly to teachers like this. We have been hit with pay cuts, furloughs, increased medical, attacks to tenure and other benefits – and I think it's about time we get something good for a change.

Mahalo,

Lawrence Denis III
Teacher
Waikoloa Elementary School

Erin Conner

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 02, 2012 2:45 PM
To: EDU Testimony
Cc: Dkeikoa@hawaii.rr.com
Subject: Testimony for SB2484 on 2/3/2012 1:15:00 PM

Testimony for EDU 2/3/2012 1:15:00 PM SB2484

Conference room: 225
Testifier position: Support
Testifier will be present: No
Submitted by: Diane Aoki
Organization: Individual
E-mail: Dkeikoa@hawaii.rr.com
Submitted on: 2/2/2012

Comments:
Tax credit

I am a 5th grade teacher at Kealakehe Elementary School. I am writing in support of HB 1667, regarding the school supplies tax credit. My school has about 70% of its students who qualify for free and reduced lunch. Some of the students do not come to school with any of their own supplies. I keep a supply of basics in the classroom for these children, which I will buy out of my own pockets if need be. Throughout the year, I will need certain supplies for lessons, especially for science experiments. In the current purchase order process, we have to order our supplies in April of the year before. There are many supplies that I use that can be bought at the grocery store but they are not approved DOE vendors. Therefore, I end up buying these materials myself. In the last two years of pay cuts, I have done less of this kind of purchasing. I would think that having this tax credit, knowing that I would be able to be reimbursed in the form of a credit, would be a form of economic stimulus. It would be good for our students and for our local businesses, a win-win all around. Thank you for considering this very good proposal and thank you for the opportunity to testify.

Erin Conner

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 02, 2012 5:08 PM
To: EDU Testimony
Cc: artglass@aloha.net
Subject: Testimony for SB2484 on 2/3/2012 1:15:00 PM

Testimony for EDU 2/3/2012 1:15:00 PM SB2484

Conference room: 225
Testifier position: Support
Testifier will be present: No
Submitted by: Dennis Cigainero
Organization: Individual
E-mail: artglass@aloha.net
Submitted on: 2/2/2012

Comments:

As a teacher that works a second job I support this bill and appreciate your efforts to help me with my classroom supplies. If passed, this will help us claim a deduction and put money back in my family's pocket.

We hope this will continue forward and become law.

Mahalo!

Erin Conner

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 02, 2012 9:35 PM
To: EDU Testimony
Cc: kluczon@gmail.com
Subject: Testimony for SB2484 on 2/3/2012 1:15:00 PM

Testimony for EDU 2/3/2012 1:15:00 PM SB2484

Conference room: 225
Testifier position: Support
Testifier will be present: No
Submitted by: Esther G. Luczon
Organization: Individual
E-mail: kluczon@gmail.com
Submitted on: 2/2/2012

Comments:

Testimony for EDU 2/3/2012 1:15:00 PM SB2484

Conference room: 225

Testifier position: Support

Testifier will be present: No

Submitted by: Laurel Clay

Organization: Individual

E-mail: lclay7910@gmail.com

Submitted on: 2/2/2012

Comments:

Aloha,

As a public school teacher, I and most of my colleagues spend HUNDREDS of dollars out of our own pockets to ensure a superior learning experience for our students. It would be truly wonderful to have a tax credit created by this legislature to support our efforts as we work daily with Hawaii's keiki! Please vote yes!

Testimony for EDU 2/3/2012 1:15:00 PM SB2484

Conference room: 225
Testifier position: Support
Testifier will be present: No
Submitted by: Hannah Loyola
Organization: Individual
E-mail: konagir171@hawaiiantel.net
Submitted on: 2/2/2012

Comments:

To Whom It May Concern:

I am writing to ask that you support HB 1667, establishing a tax credit of \$500 to reimburse teachers for the money they spend on classroom supplies.

As a classroom teacher, I have witnessed the hardships of our families first hand. Many students come to school unprepared. Schools don't have the resources to meet this need. With less money being allocated to the classroom, classroom teachers are forced to spend their own money to fill the gap and ensure that students are equipped with needed supplies. I frequently use my own money to purchase supplies and materials for students and to make learning more meaningful and relevant. As an educator, my priority is for every child to have equal access to quality education. Pay cuts and increasing expenses are making this more difficult.

This bill would be an opportunity to recognize what teachers do by returning personal money spent. It would support schools that have suffered budget cuts and are not able to adequately equip classrooms and free classroom teachers who might otherwise be hesitant to spend their personal money in these hard financial times. In soliciting signatures to support this bill, many families, friends, and supporters of teachers agree that this is the moral thing to do. Please don't neglect to do what is right and fair.

Thank you for your attention and I look forward to your active support.

Sincerely,

«GreetingLine»
Kindergarten Teacher
Konawaena Elementary School

Erin Conner

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 02, 2012 9:07 PM
To: EDU Testimony
Cc: sseal@iname.com
Subject: Testimony for SB2484 on 2/3/2012 1:15:00 PM

Testimony for EDU 2/3/2012 1:15:00 PM SB2484

Conference room: 225
Testifier position: Oppose
Testifier will be present: No
Submitted by: Sunny Seal-Laplante
Organization: Individual
E-mail: sseal@iname.com
Submitted on: 2/2/2012

Comments:

Erin Conner

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 02, 2012 7:23 PM
To: EDU Testimony
Cc: cheela1337@gmail.com
Subject: Testimony for SB2484 on 2/3/2012 1:15:00 PM

Testimony for EDU 2/3/2012 1:15:00 PM SB2484

Conference room: 225
Testifier position: Support
Testifier will be present: No
Submitted by: Sheila leong
Organization: Individual
E-mail: cheela1337@gmail.com
Submitted on: 2/2/2012

Comments:

Erin Conner

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 02, 2012 6:28 PM
To: EDU Testimony
Cc: dgweidman@gmail.com
Subject: Testimony for SB2484 on 2/3/2012 1:15:00 PM

Testimony for EDU 2/3/2012 1:15:00 PM SB2484

Conference room: 225
Testifier position: Support
Testifier will be present: No
Submitted by: Doug Weidman
Organization: Individual
E-mail: dgweidman@gmail.com
Submitted on: 2/2/2012

Comments:

I sometimes play this game with people in which I challenge them to guess how much classroom funds I get for my high school science classroom. They usually guess \$250, "lower"; I say, \$100? they ask, "still to high"; I chuckle, ok how low, this is where I drop the bomb, "\$0.00"; I laugh. Ohh...good times.
I would spend every nickel of the tax credit on the the classroom because I have to.