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# A BILL FOR AN ACT

RELATING TO EDUCATION.

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

PART I

SECTION 1. Whole child education promotes creative thinking and improves academic achievement across subject areas. According to a 2014 study performed by Lois Hetland and Ellen Winner of the Harvard Graduate School of Education, education in music and drama shows a generalizable causal relationship to increases in verbal achievement and spatial reasoning.

Similarly, researchers in the Department of Education Reform at the University of Arkansas found in 2013 that instruction in visual arts led to gains in critical thinking skills.

In addition, place-based curricula immerses students in the culture, history, and heritage of their local communities, engaging students in applying cultural content to local community experiences. Given the unique history of Hawaii as a former sovereign nation and problems faced by communities dealing with the legacy of annexation, including higher risks of poverty and lower levels of academic achievement for native



1 Hawaiians, place-based education is crucial to giving students  
2 the skills necessary to solve community problems.

3 The purpose of this part is promote creative thinking,  
4 self-directed learning, and cultural understanding by requiring  
5 students in all grade levels to receive whole child education.

6 SECTION 2. Chapter 302A, Hawaii Revised Statutes, is  
7 amended by adding a new section to be appropriately designated  
8 and to read as follows:

9 "§302A- Whole child education. (a) Notwithstanding any  
10 other law to the contrary, beginning with the 2017-2018 school  
11 year, all public schools shall provide education in whole child  
12 education, as follows:

13 (1) Beginning with the 2017-2018 school year, for all  
14 public elementary schools, twenty per cent of student  
15 hours shall be allocated to whole child education; and

16 (2) Beginning with the 2017-2018 school year, for all  
17 public middle and intermediate schools, ten per cent  
18 of student hours shall be allocated to whole child  
19 education.

20 (b) As used in this section:



1       "Student hours" has the same meaning as in section 302A-  
2 251.

3       "Whole child education" means instruction in visual arts,  
4 music, theater, dance, Hawaiian and Polynesian studies, Hawaiian  
5 language, native Hawaiian culture, native Hawaiian traditional  
6 and customary practices, and physical education."

7   PART II

8       SECTION 3. Special education instruction meets the unique  
9 needs of students with disabilities. Special education services  
10 include academic, speech-language, psychological, physical,  
11 occupational, and counseling accommodations. Governed by the  
12 federal Individuals with Disabilities Education Improvement Act  
13 of 2004 and state rules requiring the department of education to  
14 provide a free appropriate public education to eligible  
15 students, special education services are made available to any  
16 student aged three to twenty-two years who demonstrates a need  
17 for specially designed instruction.

18       However, despite efforts at reform, special education in  
19 Hawaii requires additional support. Most students with  
20 individualized education programs in Hawaii public schools are  
21 performing below grade level in reading and mathematics as



1 measured by statewide assessments. Only twenty-two per cent  
2 were proficient in reading and only fifteen per cent were  
3 proficient in math for the 2013-2014 school year. Moreover,  
4 between the 2004-2005 and 2013-2014 school years, the  
5 achievement gap between special education students and their  
6 general education peers has increased significantly, from  
7 thirty-eight per cent to 48.2 per cent in reading and twenty-one  
8 per cent to 48.8 per cent in mathematics, or an approximate  
9 worsening of ten per cent in reading and twenty-seven per cent  
10 in mathematics.

11 The legislature finds that increasing achievement for  
12 special education students demands lessening the workload of  
13 special education teachers and giving special education teachers  
14 funding for classroom materials that boost learning growth. The  
15 purpose of this part is to provide support for special education  
16 teachers and students by:

- 17 (1) Providing special education teachers with additional  
18 preparation time for completion of individualized  
19 education program tasks;
- 20 (2) Providing special education teachers with \$1,690 per  
21 year for instructional materials; and



1           (3) Requiring the department to establish a formula for  
2           equitable and sufficient allocation of special  
3           education teachers based on student need.

4           SECTION 4. Chapter 302A, Hawaii Revised Statutes, is  
5 amended by adding a new section to be appropriately designated  
6 and to read as follows:

7           "§302A- Additional support for special education. (a)  
8 Special education teachers shall have no fewer than forty hours  
9 per year for completion of individualized education programs, in  
10 addition to planning time and preparation periods specified in a  
11 collectively bargained agreement negotiated for bargaining unit  
12 (5) and in force for that time period.

13           (b) Additional preparation time established pursuant to  
14 this section shall be used during the school day at the  
15 discretion of the special education teacher.

16           (c) Special education teachers shall receive up to \$1,690  
17 annually to purchase, at their discretion, instructional  
18 materials and equipment that support student learning."

19           SECTION 5. (a) No later than June 30, 2016, the  
20 department shall convene a working group to discuss and provide



1 feedback on the implementation of a weighted student formula for  
2 special education. The working group may consider:

- 3 (1) The number and allocation of special education  
4 teachers, educational assistants, and support staff  
5 throughout the department;
  - 6 (2) Funding and resource equity for special education;
  - 7 (3) The amount of planning and consultation time available  
8 to special education teachers;
  - 9 (4) Education options available to special education  
10 students; and
  - 11 (5) Support services for special education students,  
12 including academic, speech-language, psychological,  
13 physical, occupational, and counseling services.
- 14 (b) The working group shall consist of:
- 15 (1) The superintendent of education, or the  
16 superintendent's designee;
  - 17 (2) The chairperson of the board of education, or the  
18 chairperson's designee;
  - 19 (3) Representatives from the affected collective  
20 bargaining units; and



1           (4) Any other members that the department deems  
2               appropriate.

3           SECTION 6. There is appropriated out of the general  
4 revenues of the State of Hawaii the sum of \$3,726,450 or so much  
5 thereof as may be necessary for fiscal year 2016-2017 for the  
6 department of education to provide up to \$1,690 to each special  
7 education teacher for instructional materials and equipment that  
8 support student learning.

9           The sum appropriated shall be expended by the department of  
10 education for the purposes of this part.

11   PART III

12           SECTION 7. Vocational, technical, and career pathway  
13 programs equip students with the twenty-first-century skills  
14 necessary to qualify for in-demand jobs within the modern labor  
15 market. Such programs emphasize innovation within high-growth  
16 industries, giving students opportunities to explore career  
17 options and link education with real-world activities.

18           The purpose of this part is to expand vocational,  
19 technical, and career pathway programming by:

20           (1) Ensuring that all public high schools provide  
21               vocational, technical, and career pathway programs;



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- 1           (2) Giving students the opportunity to complete up to  
2           fifty per cent of credits toward graduation  
3           requirements in vocational, technical, and career  
4           pathway programs;
- 5           (3) Giving students in grade nine the opportunity to  
6           enroll in a for-credit course in available vocational,  
7           technical, and career pathway programs;
- 8           (4) Allowing students to enroll in vocational, technical,  
9           and career pathway programs in any school district to  
10          maximize the potential reach of such programs;
- 11          (5) Providing students enrolled in vocational, technical,  
12          or career pathway programs with opportunities to  
13          participate in internships or apprenticeships;
- 14          (6) Allowing students to obtain dual credit for core  
15          content area courses taken as part of vocational,  
16          technical, or career pathway programs; and
- 17          (7) Providing up to \$1,500 to vocational, technical, and  
18          career pathway program teachers to purchase  
19          instructional materials and equipment that support  
20          student learning.





1 SECTION 8. Chapter 302A, Hawaii Revised Statutes, is  
2 amended by adding a new section to be appropriately designated  
3 and to read as follows:

4 "§302A- Vocational, technical, and career pathway  
5 programs. (a) Notwithstanding any other law to the contrary,  
6 beginning with the 2020-2021 school year, all public high  
7 schools shall offer students the opportunity to participate in  
8 vocational, technical, and career pathway programs. Students  
9 who successfully complete all course requirements for a  
10 vocational, technical, or career pathway program of study,  
11 including all graduation requirements, shall be recognized by  
12 the department.

13 (b) Students participating in vocational, technical, or  
14 career pathway programs may complete up to fifty per cent of  
15 their graduation requirements in vocational, technical, or  
16 career pathway courses.

17 (c) In grade nine, all public high school students shall  
18 be given the opportunity to earn one credit in a course that  
19 describes and explains the vocational, technical, or career  
20 pathway programs made available by the department.



1        (d) Students participating in vocational, technical, or  
2 career pathway programs shall have the opportunity to complete  
3 an internship or apprenticeship in grade twelve, subject to the  
4 department's approval. The department shall develop criteria  
5 for allowing qualified individuals and businesses to provide  
6 internship and apprenticeship opportunities to students. The  
7 department shall be responsible for the review and monitoring of  
8 a student's vocational, technical, or career pathway education-  
9 related internship or apprenticeship.

10       (e) Students shall be given the opportunity to participate  
11 in a vocational, technical, or career pathway program in any  
12 district, subject to the department's approval. The department  
13 shall provide suitable transportation to and from school for all  
14 students participating in vocational, technical, or career  
15 pathway programs.

16       (f) Vocational, technical, and career pathway programs may  
17 include courses in core content areas. For courses in core  
18 content areas, dual credit may be given for graduation  
19 requirements and vocational, technical, or career pathway  
20 program requirements.



1         (g) To the greatest extent possible, teachers providing  
 2 instruction in vocational, technical, or career pathway programs  
 3 at any public secondary school shall be highly qualified.

4         (h) Teachers who are certified and licensed to teach in a  
 5 vocational, technical, or career pathway program shall receive  
 6 up to \$1,500 annually to purchase, at their discretion,  
 7 instructional materials and equipment that support student  
 8 learning."

9           SECTION 9. There is appropriated out of the general  
 10 revenues of the State of Hawaii the sum of \$                 or so much  
 11 thereof as may be necessary for fiscal year 2016-2017 for the  
 12 department of education to provide up to \$1,500 to each  
 13 vocational, technical, or career pathway program teacher for  
 14 instructional materials and equipment that support student  
 15 learning.

16           The sum appropriated shall be expended by the department of  
 17 education for the purposes of this part.

18                                 PART IV

19           SECTION 10. Studies show that the difference between air  
 20 conditioned and non-air conditioned environments can cause as  
 21 much as a seventeen per cent gap on achievement tests. Hawaii's



1 public school classrooms are, on average, over sixty-five years  
2 old, with electrical infrastructure that often cannot support  
3 traditional air conditioning technology. Recent departmental  
4 estimates have put the cost of air conditioning at \$110,000 per  
5 classroom.

6 To help address this problem, the legislature finds that  
7 the department should use available energy-efficient technology,  
8 including off-grid and photovoltaic technology, to reduce the  
9 electrical burden and cost of cooling classrooms. Employing a  
10 combination of on-grid, off-grid, and photovoltaic technology  
11 could reduce the per-classroom cost of air conditioning to  
12 \$20,000, or a total of \$140,000,000 for the seven thousand  
13 classrooms currently in need of air conditioning.

14 The purpose of this part is to:

- 15 (1) Provide energy-efficient air conditioning to all  
16 public school classrooms within five years;
- 17 (2) Fund facilities improvements for charter schools  
18 through the establishment of the Hawaii charter school  
19 facility development special fund and appropriating  
20 \$10,000,000 to the special fund; and



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1           (3) Establishing an income tax credit for contributions of  
2           money or in-kind goods and services for the  
3           development of charter school facilities.

4           SECTION 11. Chapter 302A, Hawaii Revised Statutes, is  
5 amended by adding a new section to be appropriately designated  
6 and to read as follows:

7           "§302A- Classroom climate control and cooling. (a) The  
8 department shall provide air conditioning for all public school  
9 classrooms.

10           (b) Beginning with the 2016-2017 school year, the  
11 department shall:

12           (1) Provide air conditioning to at least ten schools using  
13 off-grid technology;

14           (2) Provide air conditioning to at least ten schools using  
15 photovoltaic technology; and

16           (3) Develop a plan to air condition additional schools  
17 using a mix of technologies, including off-grid  
18 technology, photovoltaic technology, and split air  
19 conditioning units.

20           (c) Beginning with the 2017-2018 school year, the  
21 department shall develop a master plan to provide air



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1 conditioning to all public school classrooms, including a list  
2 of priority schools to receive air conditioning by the 2018-2019  
3 school year.

4 (d) No later than the 2019-2020 school year, the  
5 department shall provide air conditioning to at least fifty per  
6 cent of public school classrooms.

7 (e) No later than the 2021-2022 school year, the  
8 department shall provide air conditioning to all public school  
9 classrooms."

10 SECTION 12. There is appropriated out of the general  
11 revenues of the State of Hawaii the sum of \$                    or so much  
12 thereof as may be necessary for fiscal year 2016-2017 for the  
13 initiation and expansion of projects that demonstrate efficient  
14 methods to air condition public school facilities, including but  
15 not limited to photovoltaic and off-grid technology.

16 The sum appropriated shall be expended by the department of  
17 education for the purposes of this section.

18 SECTION 13. The director of finance is authorized to issue  
19 general obligation bonds in the sum of \$                    or so much  
20 thereof as may be necessary and the same sum or so much thereof  
21 as may be necessary is appropriated for fiscal year 2016-2017



1 for the purpose of funding public school air conditioning  
2 projects.

3 The sum appropriated shall be expended by the department of  
4 education for the purposes of this section.

5 SECTION 14. The appropriation made for capital improvement  
6 projects authorized by this part shall not lapse at the end of  
7 the fiscal biennium for which the appropriation is made;  
8 provided that all moneys from the appropriation in section 13  
9 that are unencumbered as of June 30, 2018, shall lapse as of  
10 that date.

11 SECTION 15. Chapter 235, Hawaii Revised Statutes, is  
12 amended by adding a new section to be appropriately designated  
13 and to read as follows:

14 "§235- Credit for charter school facility development.

15 (a) There shall be allowed to each taxpayer who is subject to  
16 the tax imposed by this chapter, and does not owe the State  
17 delinquent taxes, penalties, or interest, a credit for  
18 contributions of money or in-kind goods and services for the  
19 development of charter school facilities. The credit shall be  
20 deductible from the taxpayer's net income tax liability, if any,



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1 imposed by this chapter for the taxable year in which the credit  
2 is properly claimed.

3 (b) The amount of the tax credit established under this  
4 section shall be equal to fifty per cent of the value of:

5 (1) Contributions of in-kind goods and services; and

6 (2) Contributions of money,

7 to the Hawaii charter school facility development special fund  
8 for that taxable year; provided that the amount of the tax  
9 credit claimed by a taxpayer under this section shall not exceed  
10 \$250 per taxable year.

11 (c) The tax credit allowed under this section shall be  
12 claimed against net income tax liability for the taxable year.

13 A tax credit under this section that exceeds the taxpayer's  
14 income tax liability may be used as a credit against the  
15 taxpayer's income tax liability in subsequent years until  
16 exhausted.

17 (d) All claims for tax credits under this section,  
18 including any amended claims, shall be filed on or before the  
19 end of the twelfth month following the close of the taxable year  
20 for which the credits may be claimed. Failure to comply with





1 the foregoing provision shall constitute a waiver of the right  
2 to claim the credit.

3 (e) If a deduction is taken under section 170 (with  
4 respect to charitable contributions and gifts) of the Internal  
5 Revenue Code, no tax credit shall be allowed for that portion of  
6 the contribution for which the deduction was taken.

7 (f) The state public charter school commission shall  
8 maintain records of the names of taxpayers eligible for the  
9 credit and the total value of money and in-kind goods and  
10 services contributed for the development of charter school  
11 facilities for the taxable year. All contributions shall be  
12 verified by the state public charter school commission. The  
13 state public charter school commission shall total all  
14 contributions that it certifies. Upon each determination, the  
15 state public charter school commission shall issue a certificate  
16 to the taxpayer certifying:

- 17 (1) The amount of the contribution; and  
18 (2) That the taxpayer has obtained a current and valid  
19 certificate signed by the director of taxation,  
20 showing that the taxpayer does not owe the State any  
21 delinquent taxes, penalties, or interest.



1       The taxpayer shall file the certificate from the state  
2 public charter school commission with the taxpayer's tax return  
3 with the department of taxation. When the total amount of  
4 certified contributions reaches \$250, the state public charter  
5 school commission shall immediately discontinue certifying  
6 contributions and notify the department of taxation. In no  
7 instance shall the total amount of certified contributions  
8 exceed \$250 for each taxable year.

9       (g) The director of taxation shall prepare any forms that  
10 may be necessary to claim a tax credit under this section. The  
11 director may also require the taxpayer to furnish reasonable  
12 information to ascertain the validity of the claim for credit  
13 made under this section and may adopt rules necessary to  
14 effectuate the purposes of this section pursuant to chapter 91.

15       (h) As used in this section:

16       "Charter school" has the same meaning as defined in section  
17 302D-1.

18       "Net income tax liability" means income tax liability  
19 reduced by all other credits allowed under this chapter.

20       "Value of contributions of in-kind goods and services"  
21 means the fair market value of goods and uncompensated services



1 or labor, as determined and certified by the department of  
2 accounting and general services."

3 SECTION 16. Chapter 302D, Hawaii Revised Statutes, is  
4 amended by adding a new section to be appropriately designated  
5 and to read as follows:

6 "§302D- Hawaii charter school facility development  
7 special fund. (a) There is established within the department a  
8 special fund to be known as the Hawaii charter school facility  
9 development special fund, which shall be administered by the  
10 commission.

11 (b) Moneys in the Hawaii charter school facility  
12 development special fund may be:

13 (1) Expended by the commission for the acquisition,  
14 planning, design, improvement, construction,  
15 equipping, furnishing, administering, operating, and  
16 maintaining of charter school facilities and any other  
17 purpose deemed necessary by the commission for the  
18 purpose of developing charter school facilities; or

19 (2) Pledged by the commission to secure loans from private  
20 lending institutions for financially sound charter  
21 schools.



1        (c) The Hawaii charter school facility development special  
2 fund may receive contributions, grants, endowments, gifts in  
3 cash or otherwise, loans, and bond financing from all sources,  
4 including corporations or other businesses, foundations,  
5 government, individuals, and other interested parties. Any  
6 interest accrued on moneys in the fund shall become part of the  
7 fund. The legislature may appropriate moneys to the fund."

8        SECTION 17. There is appropriated out of the general  
9 revenues of the State of Hawaii the sum of \$10,000,000 or so  
10 much thereof as may be necessary for fiscal year 2016-2017 to be  
11 deposited into the Hawaii charter school facility development  
12 special fund.

13        SECTION 18. There is appropriated out of the Hawaii  
14 charter school facility development special fund the sum of  
15 \$10,000,000 or so much thereof as may be necessary for fiscal  
16 year 2016-2017 to support the development of charter school  
17 facilities.

18        The sum appropriated shall be expended by the state public  
19 charter school commission for the purposes of this section.



PART V

SECTION 19. The purpose of this part is to improve funding for and staffing equity in public schools by:

- (1) Requiring that weighted student formula funding be increased annually to account for inflation;
- (2) Establishing a \$1,000,000 baseline funding amount for all public schools; and
- (3) Requiring all public schools to have on staff a librarian, technology coordinator, vice principal, counselor, and special education transition coordinator.

SECTION 20. Chapter 302A-1303.6, Hawaii Revised Statutes, is amended to read as follows:

"§302A-1303.6 Weighted student formula. (a) Based upon recommendations from the committee on weights, the board of education may adopt a weighted student formula for the allocation of moneys to public schools that takes into account the educational needs of each student. The department, upon the receipt of appropriated moneys, shall use the weighted student formula to allocate funds to public schools. Principals, in consultation with teachers and school community councils, shall



1 expend moneys provided to the principals' schools. This section  
2 shall only apply to charter schools for fiscal years in which  
3 the charter schools elect pursuant to section 302D-29 to receive  
4 allocations according to the procedures and methodology used to  
5 calculate the weighted student formula allocation.

6 (b) Moneys budgeted for the department for allocation to  
7 public schools through the weighted student formula shall be  
8 increased annually by no less than the inflation-adjusted  
9 minimum level of funding. This subsection shall not apply when  
10 the consumer price index for the twelve-month period ending June  
11 30 of the preceding calendar year is less than zero.

12 (c) Beginning with the 2017-2018 school year, each school  
13 shall receive no less than \$1,000,000 annually in baseline  
14 funds. Funds allocated using the weighted student formula shall  
15 be in addition to baseline funds.

16 (d) Notwithstanding any other law to the contrary,  
17 beginning with the 2020-2021 school year, all public schools  
18 shall hire at least one person to staff each of the following  
19 positions:

- 20 (1) Librarian or library media specialist;  
21 (2) Technology coordinator;



- 1        (3) Vice principal;
- 2        (4) Counselor; and
- 3        (5) Special education transition coordinator at all
- 4                secondary schools.

5        For schools at which these positions are vacant or do not  
 6 exist, additional moneys shall be provided through the weighted  
 7 student formula to carry out the requirements of this  
 8 subsection.

9        (e) As used in this section:

10        "Consumer price index" means the average over a twelve-  
 11 month period of the National Consumer Price Index, not  
 12 seasonally adjusted, published monthly by the Bureau of Labor  
 13 Statistics, United States Department of Labor, designated as the  
 14 "National Consumer Price Index for All Urban Consumers - United  
 15 States City Average".

16        "Inflation-adjusted minimum level of funding" means the  
 17 total amount of funding provided to the department during the  
 18 fiscal year in which Act        , Session Laws of Hawaii 2016, was  
 19 enacted; provided that this amount shall increase by three per  
 20 cent for each subsequent fiscal year."



## 1 PART VI

2 SECTION 21. In Hawaii, approximately ten per cent of  
3 teachers switch schools, relocate, or leave the profession each  
4 year. Only fifty to sixty per cent of current teachers have  
5 taught at their school for five years or more. Teacher  
6 recruitment and retention is especially difficult for poor and  
7 hard-to-staff communities, where as few as fifty-six per cent of  
8 teachers are highly qualified. Comparatively, ninety-three per  
9 cent of teachers statewide are highly qualified. Nationwide,  
10 fifty-six per cent of teachers have an advanced degree, while  
11 only thirty-six per cent of teachers in Hawaii do.

12 Chronic teacher turnover forces the department of education  
13 to rely on emergency hires and substitute teachers to fill  
14 vacancies. Although alternative licensure programs, incentive  
15 bonuses for hard-to-staff schools, and increased support for new  
16 teachers have helped administrators fill open teaching  
17 positions, these measures have not significantly reduced the  
18 overall problem of teacher recruitment and retention, nor have  
19 they ensured that every classroom is staffed by a highly  
20 qualified educator.





1           The basic problem crippling the department of education's  
2 teacher recruitment and retention efforts is Hawaii's high cost  
3 of living. According to a study conducted by WalletHub, Hawaii  
4 ranked fifty-first out of fifty states and the District of  
5 Columbia for starting teacher salary and median teacher salary,  
6 adjusted for cost of living.

7           The purpose of this part is to improve teacher recruitment  
8 and retention by:

- 9           (1) Mandating annual salary step increases for all public  
10 school teachers who complete a year of service;
- 11           (2) Appropriating funds to align teacher salary steps with  
12 years of service throughout the department of  
13 education; and
- 14           (3) Establishing a student loan subsidy program and  
15 special fund to provide student loan repayment  
16 assistance to special education and vocational  
17 education teachers.

18           SECTION 22. Chapter 302A, Hawaii Revised Statutes, is  
19 amended by adding two new sections to be appropriately  
20 designated and to read as follows:



1        "§302A-    Student loan subsidy program; established;  
2 administration.   (a) There is established the student loan  
3 subsidy program to provide financial support to teachers who  
4 provide instruction in the following content areas:  
5        (1) Special education; and  
6        (2) Vocational education, technical education, or career  
7        pathway programs,  
8 and who agree to teach in the State for at least three years.  
9 The program shall be administered by the department.  
10       (b) The department may award a subsidy to any eligible  
11 teacher upon confirmation that the teacher has been employed to  
12 provide instruction in an approved content area. Subsidies:  
13       (1) Shall only be used for the repayment of federal,  
14       state, or private student loans; and  
15       (2) Shall not exceed \$10,000 per applicant.  
16       (c) Eligibility shall be determined by the department on a  
17 competitive basis and shall be need-based; provided that each  
18 applicant shall meet all of the following requirements:  
19       (1) Show proof of employment in an approved content area;  
20       (2) Comply with any conditions placed on the subsidy by  
21       the department; and



1       (3) Demonstrate financial need for a student loan subsidy  
2       to the extent required by the department.

3       (d) A teacher shall apply to the department and include  
4 all information and documentation required by the department.

5       (e) If a teacher terminates employment in a qualifying  
6 content area during the academic year in which a student loan  
7 subsidy is received, the teacher shall notify the department in  
8 writing and shall return all unused portions of the subsidy.  
9 Returned amounts shall be used to fund other subsidies under  
10 this section.

11       (f) Subsidies awarded by the department shall be limited  
12 to funds contained in the student loan subsidy program special  
13 fund under section 302A- .

14       (g) The department shall monitor and verify a teacher's  
15 eligibility and fulfillment of all work requirements under this  
16 section.

17       (h) The department shall adopt policies and procedures in  
18 accordance with chapter 91 to implement the program; provided  
19 that the department shall be exempt from the public notice and  
20 public hearing requirements of chapter 91 with regard to this  
21 section.



1        §302A-        Student loan subsidy program special fund. There  
2 is established the student loan subsidy program special fund,  
3 for the purpose of providing subsidies pursuant to section 302A-  
4 . Appropriations made by the legislature, private  
5 contributions, and moneys from other sources may be deposited  
6 into the special fund; provided that:

- 7        (1) Moneys on balance in the special fund at the close of  
8 each fiscal year shall remain in that fund and shall  
9 not lapse to the credit of the general fund; and  
10       (2) Not more than five per cent of the total amount funds  
11 in the student loan subsidy program special fund may  
12 be set by the department for administrative expenses  
13 incurred in administering the special fund."

14        SECTION 23. Section 302A-624, Hawaii Revised Statutes, is  
15 amended to read as follows:

16        "§302A-624 Teachers' salary schedule. (a) The salary  
17 schedule for all teachers of the department shall be negotiated  
18 pursuant to section 89-9.

19        ~~[(b) All teachers shall meet the following requirements:~~

20        ~~(1) A teacher shall earn at least five credits within a~~  
21        ~~three-year cycle to receive increment or longevity~~



1 ~~step increases in the third year of the three-year~~  
2 ~~cycle;~~

3 ~~(2) A teacher who fails to meet the requirement set forth~~  
4 ~~in paragraph (1) shall not be eligible for any~~  
5 ~~increment or longevity step increases until the~~  
6 ~~teacher earns the credit requirement for the three-~~  
7 ~~year cycle;~~

8 ~~(3) Any credit earned in excess of any three-year credit~~  
9 ~~requirement may not be carried over beyond the three-~~  
10 ~~year cycle; and~~

11 ~~(4) Credits earned may be in the form of in-service,~~  
12 ~~university, or other credits approved by the~~  
13 ~~department.~~

14 ~~(e)]~~ (b) A teacher shall be required to spend at least one  
15 year in Class III before going on to Class IV, at least one year  
16 in Class IV before going on to Class V, at least one year in  
17 Class V before going on to Class VI, and at least one year in  
18 Class VI before going on to Class VII.

19 ~~(d)]~~ (c) In case of promotion from a teaching position to  
20 an educational officer, the employee shall receive compensation  
21 at the lowest step of the higher grade that exceeds the



1 employee's existing compensation by at least eight per cent if  
2 such a step exists.

3 ~~[(e)]~~ (d) Effective July 1, 2006, the minimum hourly or  
4 minimum per diem rate for substitute teachers shall be  
5 determined by the legislature as follows; provided that any  
6 individual in Class I, II, or III who works less than a full  
7 seven-hour work day shall be compensated on a pro-rated, hourly  
8 basis:

- 9 (1) Class I: other individuals who do not possess a  
10 bachelor's degree shall be compensated at a rate of  
11 not less than \$125 for a full work day;
- 12 (2) Class II: individuals with a bachelor's degree shall  
13 be compensated at a rate of not less than \$136 for a  
14 full work day; and
- 15 (3) Class III: department of education teachers, or  
16 licensed or highly qualified teachers, shall be  
17 compensated at a rate of not less than \$147 for a full  
18 work day.

19 ~~[(f)]~~ (e) Effective July 1, 2008, the board shall provide  
20 wage adjustments for substitute teachers. The wage adjustments  
21 shall be comparable to the across-the-board wage adjustments for



1 teachers that are negotiated for bargaining unit (5) subject to  
2 legislative approval, pursuant to section 89C-5. The board may  
3 also adjust hours, benefits, and other terms and conditions of  
4 employment for substitute teachers."

5 SECTION 24. Section 302A-626, Hawaii Revised Statutes, is  
6 amended to read as follows:

7 "~~§302A-626 Salary increases; annual~~ [~~longevity.~~ (a)].  
8 Teachers [~~and educational officers~~] who have completed a year's  
9 [~~satisfactory~~] service and who have complied with the other  
10 requirements of sections 302A-602 to 302A-639, and 302A-701,  
11 shall [~~be entitled to an annual increment.~~] receive an annual  
12 step increase. No teacher at the highest step within the  
13 teacher's classification shall be entitled to receive an annual  
14 step increase pursuant to this section.

15 [~~(b) Teachers and educational officers who have served~~  
16 ~~satisfactorily for three years in their maximum increment step~~  
17 ~~or in any longevity step and who have complied with the other~~  
18 ~~requirements of sections 302A-602 to 302A-639, and 302A-701,~~  
19 ~~shall receive longevity step increases; provided that the board~~  
20 ~~may grant principals and vice principals longevity step~~



1 ~~increases more frequently than once every three years pursuant~~  
2 ~~to section 302A-625.] "~~

3 SECTION 25. There is appropriated out of the general  
4 revenues of the State of Hawaii the sum of \$5,000,000 or so much  
5 thereof as may be necessary for fiscal year 2016-2017 to be  
6 deposited into the student loan subsidy program special fund.

7 SECTION 26. There is appropriated out of the student loan  
8 subsidy program special fund the sum of \$5,000,000 or so much  
9 thereof as may be necessary for fiscal year 2016-2017 to provide  
10 subsidies pursuant to section 302A- , Hawaii Revised Statutes.

11 The sum appropriated shall be expended by the department of  
12 education for the purposes of this section.

13 SECTION 27. There is appropriated out of the general  
14 revenues of the State of Hawaii the sum of \$73,500,000 or so  
15 much thereof as may be necessary for fiscal year 2016-2017 to  
16 align teacher salary steps with current years of service  
17 throughout the department of education.

18 The sum appropriated shall be expended by the department of  
19 education for the purposes of this Act.





## 1 PART VII

2 SECTION 28. The legislature finds that excessive use of  
3 standardized tests is counterproductive. Since the enactment of  
4 the federal No Child Left Behind Act of 2001 and Race to the Top  
5 program in 2009, the State has been obliged to shift its focus  
6 in public education from teaching to testing. Undue emphasis on  
7 testing leads to a situation in which teachers spend more time  
8 preparing students to take tests and less time educating, while  
9 students spend more time taking tests and less time learning.

10 According to a 2014 study conducted by the National  
11 Education Association, seventy-two per cent of teachers feel  
12 considerable pressure to improve test scores. Over half of  
13 teachers surveyed reported spending too much time on testing and  
14 test preparation, with the average teacher spending  
15 approximately thirty per cent of the teacher's time on tasks  
16 related to standardized tests. At the same time, a 2014  
17 PDK/Gallup poll on public attitudes toward public schools found  
18 that only thirty-one per cent of parents support using  
19 standardized test scores to evaluate teachers, despite the  
20 implementation of numerous reforms increasing the use of test  
21 scores in assessing the performance of schools and educators.



1           The purpose of this part is to minimize the adverse effects  
2 of standardized testing by:

3           (1) Limiting the number of days and hours that students  
4           are required to participate in standardized testing;

5           (2) Banning the use of standardized test scores in  
6           evaluating schools, teachers, and educational  
7           officers;

8           (3) Allowing teachers of special education students and  
9           student with limited English proficiency to request  
10          that such students be excused from standardized  
11          testing; and

12          (4) Requiring the board of education to inform students  
13          and their parents or guardians of their right to opt  
14          out of standardized testing.

15          SECTION 29. Chapter 302A, Hawaii Revised Statutes, is  
16 amended by adding a new section to be appropriately designated  
17 and to read as follows:

18          "§302A-        Conditions for standardized testing in public  
19 schools. (a) No public school student shall be required to  
20 attend more than three testing days in a school year.



1        (b) The department shall not use standardized test results  
2 for the purpose of assessing the performance of any public  
3 school.

4        (c) Standardized testing shall not be used to rate a  
5 school as recognition, continuous improvement, focus, priority,  
6 or superintendent's zone, or other similar designation, as  
7 determined by the department.

8        (d) Standardized testing shall not be used in any  
9 evaluation of teachers or educational officers, including any  
10 evaluation performed under section 302A-638.

11       (e) For any special education student or student with  
12 limited English proficiency, a teacher may request and the  
13 department may grant that the student be excused from  
14 participating in statewide standardized testing.

15       (f) Every public school student and parent or guardian of  
16 a public school student shall have the right to opt out of  
17 standardized testing. Not more than ten days after the  
18 beginning of each school year, the department shall notify  
19 students and their parents or guardians about their right to opt  
20 out of participating in statewide standardized testing.





1 geographic exceptions for children to attend prekindergarten  
2 outside their assigned service area, as the department of  
3 education deems appropriate; provided that the department of  
4 education shall grant a request for geographic exception to  
5 attend a prekindergarten in another service area if the request  
6 is based on the employment location of the parent or guardian of  
7 the student."

8 SECTION 32. There is appropriated out of the general  
9 revenues of the State of Hawaii the sum of \$125,000,000 or so  
10 much thereof as may be necessary for fiscal year 2016-2017 for  
11 the executive office on early learning to administer the  
12 executive office on early learning public prekindergarten  
13 program.

14 The sum appropriated shall be expended by the department of  
15 education for the purposes of this part.

16 PART IX

17 SECTION 33. The purpose of this part is to amend state law  
18 requiring evaluations of teachers and educational officers by:

- 19 (1) Requiring the department of education to consult with  
20 exclusive representatives in establishing an



1 evaluation program for teachers and educational  
2 officers;

3 (2) Providing that no teacher or educational officer shall  
4 be responsible for the achievement of a student who is  
5 chronically absent; and

6 (3) Providing that an evaluation program established by  
7 the department of education shall not be used to  
8 affect the compensation or employment status of any  
9 teacher or educational officer.

10 SECTION 34. Section 302A-101, Hawaii Revised Statutes, is  
11 amended by adding a new definition to be appropriately inserted  
12 and to read as follows:

13 "Student achievement" means the change in performance for  
14 an individual student between two or more school years."

15 SECTION 35. Section 302A-638, Hawaii Revised Statutes, is  
16 amended to read as follows:

17 "[~~§~~302A-638~~§~~] Evaluation of teachers and educational  
18 officers. (a) The department shall establish an evaluation  
19 program for all teachers and educational officers~~[-]~~ in  
20 consultation with the exclusive representatives of the  
21 appropriate bargaining units. [~~The evaluation shall be~~



# H.B. NO. 2733

1 ~~performed at least once in each school year.]~~ The program shall  
 2 define the criteria for evaluation and assign responsibilities  
 3 for the application of the criteria. ~~[The evaluation of a~~  
 4 ~~teacher or educational officer shall be on the basis of~~  
 5 ~~efficiency, ability, and such other criteria as the department~~  
 6 ~~shall determine.]~~

7 (b) No teacher or educational officer shall be responsible  
 8 for the student achievement of an enrolled student who misses  
 9 ten or more days of instruction in two or more consecutive  
 10 months, or whose non-attendance is chronic and has become a  
 11 significant factor that hinders the student's learning.

12 (c) No evaluation performed in compliance with this  
 13 section shall be used to determine the compensation or  
 14 employment status of any teacher or educational officer, unless  
 15 otherwise specified in a collectively bargained agreement  
 16 negotiated pursuant to chapter 89."

PART X

18 SECTION 36. In a survey conducted by the Hawaii State  
 19 Teachers Association, forty-seven per cent of respondents cited  
 20 personal expenditures of between \$250 and \$500 each year on



1 classroom supplies, with many claiming expenditures in excess of  
2 \$1,000.

3 The purpose of this part is to provide teachers with  
4 financial support for classroom expenses by:

- 5 (1) Establishing and appropriating funds for a debit card  
6 system for purchasing school supplies at the  
7 individual school level; and  
8 (2) Establishing a \$500 tax credit for teachers to offset  
9 personal expenditures on school and classroom  
10 supplies.

11 SECTION 37. Chapter 235, Hawaii Revised Statutes, is  
12 amended by adding a new section to be appropriately designated  
13 and to read as follows:

14 "§235- Certain expenses; classrooms; tax credit. (a)  
15 There shall be allowed to each qualified taxpayer subject to the  
16 tax imposed by this chapter a tax credit for certain expenses of  
17 school teachers that shall be deductible from the taxpayer's net  
18 income tax liability, if any, imposed by this chapter for the  
19 taxable year in which the credit is properly claimed.





1        (b) The amount of the tax credit shall be equal to the  
2 amounts expended for certain expenses in a taxable year;  
3 provided that the credit shall not exceed \$500 per taxable year.

4        (c) If the tax credit under this section exceeds the  
5 taxpayer's net income tax liability, the excess of credit over  
6 liability may be used as a tax credit against the taxpayer's net  
7 income tax liability in subsequent years until exhausted. All  
8 claims for a tax credit under this section, including amended  
9 claims, shall be filed on or before the end of the twelfth month  
10 following the close of the taxable year for which the tax credit  
11 may be claimed. Failure to comply with the foregoing provision  
12 shall constitute a waiver of the right to claim the tax credit.

13        (d) No other tax credit may be claimed under this chapter  
14 for the certain expenses used to properly claim a tax credit  
15 under this section for the taxable year.

16        (e) The director of taxation shall prepare any forms that  
17 may be necessary to claim a credit under this section. The  
18 director may also require the taxpayer to furnish reasonable  
19 information to ascertain the validity of the claim for credit  
20 made under this section and may adopt rules necessary to  
21 effectuate the purposes of this section pursuant to chapter 91.



1        (f) As used in this section:  
2        "Certain expenses" means expenses paid or incurred by a  
3 qualifying taxpayer who incurs the expenses in connection with  
4 books; supplies, other than athletic supplies, for courses of  
5 instruction in health or physical education; computer equipment,  
6 including related software and services; and supplementary  
7 materials used by the qualifying taxpayer in the classroom.  
8        "Qualifying taxpayer" means a school teacher, special  
9 education teacher, school librarian, or counselor employed by  
10 the department of education, a public charter school, or a  
11 private school in the State who instructs students in any grade  
12 between prekindergarten and twelfth grade."

13        SECTION 38. Chapter 302A, Hawaii Revised Statutes, is  
14 amended by adding a new section to be appropriately designated  
15 and to read as follows:

16        "§302A- Purchases of supplies; debit card system. (a)  
17 The department shall establish, use, and manage a debit card  
18 system to be based at the individual school level for the  
19 purpose of purchasing school supplies and other related  
20 curriculum support supplies.





1 Experiments in Tennessee, Wisconsin, and other states have  
2 demonstrated that students in smaller classes score better on  
3 standardized tests, receive better grades, and exhibit improved  
4 attendance. Moreover, these students benefiting the most from  
5 smaller class sizes are from poor and minority backgrounds, who  
6 experience twice the achievement gains of the average student.  
7 Additionally, a study commissioned by the United States  
8 Department of Education analyzed the achievement of students in  
9 2,561 schools across the nation by their performance on the  
10 National Assessment of Educational Progress exams. After  
11 controlling for student background, the only objective factor  
12 that correlated with higher test scores was class size.

13 The purpose of this part is to reduce class size in all  
14 grade levels.

15 SECTION 41. Chapter 302A, Hawaii Revised Statutes, is  
16 amended by adding three new sections to be appropriately  
17 designated and to read as follows:

18 "§302A- Class size. (a) Notwithstanding any other law  
19 to the contrary:



# H.B. NO. 2733

1        (1) Beginning with the 2020-2021 school year, excluding  
 2        charter schools, no public elementary school class  
 3        shall exceed an enrollment of twenty students; and

4        (2) Beginning with the 2020-2021 school year, excluding  
 5        charter schools, no public secondary school class  
 6        shall exceed an enrollment of twenty-six students.

7        (b) The total number of students in all classes for which  
 8        a teacher is responsible in any school year shall not exceed one  
 9        hundred fifty students.

10       (c) This section shall not apply to any class that  
 11       provides instruction in band, orchestra, choir, or theater.

12       §302A- Class size for students with disabilities. (a)  
 13       The maximum number of students with disabilities that may be  
 14       assigned to a teacher shall be as follows:

15       (1) Beginning with the 2020-2021 school year, no inclusion  
 16       class at any elementary school shall exceed an  
 17       enrollment of fifteen students;

18       (2) Beginning with the 2020-2021 school year, no fully  
 19       self-contained class at any elementary school shall  
 20       exceed an enrollment of four students;



# H.B. NO. 2733

1        (3) Beginning with the 2020-2021 school year, no inclusion  
2                    class at any secondary school shall exceed an  
3                    enrollment of twenty students; and

4        (4) Beginning with the 2020-2021 school year, no fully  
5                    self-contained class at any secondary school shall  
6                    exceed an enrollment of six students.

7        (b) This section shall not apply to any class that  
8 provides instruction in band, orchestra, choir, or theatre.

9        (c) As used in this section:

10        "Fully self-contained class" means any class that provides  
11 instruction only to special education students.

12        "Inclusion class" means any class that provides instruction  
13 to both general education and special education students.

14        §302A- Class size for students with limited English  
15 proficiency. (a) The maximum number of students with limited

16 English proficiency that may be assigned to a teacher shall be  
17 as follows:

18        (1) Beginning with the 2020-2021 school year, no content-  
19                    based English language learning class at any  
20                    elementary school shall exceed an enrollment of  
21                    fifteen students; and



1        (2) Beginning with the 2020-2021 school year, no content-  
 2        based English language learning class at any secondary  
 3        school shall exceed an enrollment of twenty students.

4        (b) As used in this section, "content-based English  
 5        language learning class" means any class providing instruction  
 6        only to students with limited English language proficiency."

7        SECTION 42. The board of education shall amend any board  
 8        of education policies related to class size, pursuant to the  
 9        class size ratio established in section 302A- , section 302A-  
 10       , and section 302A- , Hawaii Revised Statutes.

PART XII

12       SECTION 43. The purpose of this part is to increase  
 13       funding for public education in Hawaii by:

14       (1) Raising the general excise tax by one per cent;  
 15       provided that nothing in this section shall be  
 16       construed to interfere with a county's ability to levy  
 17       a surcharge for public works pursuant to the Hawaii  
 18       Revised Statutes;

19       (2) Depositing all additional revenue collected by the  
 20       imposition of the general excise tax increase imposed  
 21       by this part into a special account in the general



# H.B. NO. 2133

1 fund for appropriation to and expenditure for  
2 operations, including salaries and maintenance costs,  
3 of the department of education;

4 (3) Providing that the moneys budgeted for the department  
5 of education from sources of funding other than the  
6 special account, including capital improvement  
7 projects, shall remain equal to or greater than an  
8 inflation-adjusted minimum level of funding for each  
9 subsequent fiscal year; and

10 (4) Increasing the state income tax for taxpayers earning  
11 above \$300,000 per year.

12 This part minimizes the adverse effect of increasing the  
13 general excise by:

14 (1) Increasing the state tax credit for renters earning  
15 less than \$60,000 per year and linking future  
16 increases in the state tax credit for renters to the  
17 consumer price index; and

18 (2) Increasing the state food/excise tax credit by  
19 specified amounts and linking future increases in the  
20 state food/excise tax credit to the consumer price  
21 index.





# H.B. NO. 2133

1 SECTION 44. Section 235-51, Hawaii Revised Statutes, is  
 2 amended by amending subsections (a), (b), and (c) to read as  
 3 follows:

4 "(a) There is hereby imposed on the taxable income of (1)  
 5 every taxpayer who files a joint return under section 235-93;  
 6 and (2) every surviving spouse a tax determined in accordance  
 7 with the following table:

8 In the case of any taxable year beginning after  
 9 December 31, 2001:

10	If the taxable income is:	The tax shall be:
11	Not over \$4,000	1.40% of taxable income
12	Over \$4,000 but	\$56.00 plus 3.20% of
13	not over \$8,000	excess over \$4,000
14	Over \$8,000 but	\$184.00 plus 5.50% of
15	not over \$16,000	excess over \$8,000
16	Over \$16,000 but	\$624.00 plus 6.40% of
17	not over \$24,000	excess over \$16,000
18	Over \$24,000 but	\$1,136.00 plus 6.80% of
19	not over \$32,000	excess over \$24,000
20	Over \$32,000 but	\$1,680.00 plus 7.20% of
21	not over \$40,000	excess over \$32,000



# H.B. NO. 2733

1	Over \$40,000 but	\$2,256.00 plus 7.60% of
2	not over \$60,000	excess over \$40,000
3	Over \$60,000 but	\$3,776.00 plus 7.90% of
4	not over \$80,000	excess over \$60,000
5	Over \$80,000	\$5,356.00 plus 8.25% of
6		excess over \$80,000.

7 In the case of any taxable year beginning after December  
 8 31, 2006:

9	If the taxable income is:	The tax shall be:
10	Not over \$4,800	1.40% of taxable income
11	Over \$4,800 but	\$67.00 plus 3.20% of
12	not over \$9,600	excess over \$4,800
13	Over \$9,600 but	\$221.00 plus 5.50% of
14	not over \$19,200	excess over \$9,600
15	Over \$19,200 but	\$749.00 plus 6.40% of
16	not over \$28,800	excess over \$19,200
17	Over \$28,800 but	\$1,363.00 plus 6.80% of
18	not over \$38,400	excess over \$28,800
19	Over \$38,400 but	\$2,016.00 plus 7.20% of
20	not over \$48,000	excess over \$38,400
21	Over \$48,000 but	\$2,707.00 plus 7.60% of



# H.B. NO. 2733

1	not over \$72,000	excess over \$48,000
2	Over \$72,000 but	\$4,531.00 plus 7.90% of
3	not over \$96,000	excess over \$72,000
4	Over \$96,000	\$6,427.00 plus 8.25% of
5		excess over \$96,000.

6 In the case of any taxable year beginning after December  
7 31, 2015:

8	<u>If the taxable income is:</u>	<u>The tax shall be:</u>
9	<u>Not over \$4,800</u>	<u>1.40% of taxable income</u>
10	<u>Over \$4,800 but</u>	<u>\$67.00 plus 3.20% of</u>
11	<u>not over \$9,600</u>	<u>excess over \$4,800</u>
12	<u>Over \$9,600 but</u>	<u>\$221.00 plus 5.50% of</u>
13	<u>not over \$19,200</u>	<u>excess over \$9,600</u>
14	<u>Over \$19,200 but</u>	<u>\$749.00 plus 6.40% of</u>
15	<u>not over \$28,800</u>	<u>excess over \$19,200</u>
16	<u>Over \$28,800 but</u>	<u>\$1,363.00 plus 6.80% of</u>
17	<u>not over \$38,400</u>	<u>excess over \$28,800</u>
18	<u>Over \$38,400 but</u>	<u>\$2,016.00 plus 7.20% of</u>
19	<u>not over \$48,000</u>	<u>excess over \$38,400</u>
20	<u>Over \$48,000 but</u>	<u>\$2,707.00 plus 7.60% of</u>
21	<u>not over \$72,000</u>	<u>excess over \$48,000</u>



# H.B. NO. 2733

1	<u>Over \$72,000 but</u>	<u>\$4,531.00 plus 7.90% of</u>
2	<u>not over \$96,000</u>	<u>excess over \$72,000</u>
3	<u>Over \$96,000 but</u>	<u>\$6,427.00 plus 8.25% of</u>
4	<u>not over \$300,000</u>	<u>excess over \$96,000</u>
5	<u>Over \$300,000 but</u>	<u>\$23,257.00 plus 9.00% of</u>
6	<u>not over \$350,000</u>	<u>excess over \$300,000</u>
7	<u>Over \$350,000 but</u>	<u>\$27,757.00 plus 10.00%</u>
8	<u>of not over \$400,000</u>	<u>excess over \$350,000</u>
9	<u>Over \$400,000</u>	<u>\$32,757.00 plus 11.00%</u>
10		<u>of excess over</u>
11		<u>\$400,000.</u>

12 (b) There is hereby imposed on the taxable income of every  
 13 head of a household a tax determined in accordance with the  
 14 following table:

15 In the case of any taxable year beginning after December  
 16 31, 2001:

17	If the taxable income is:	The tax shall be:
18	Not over \$3,000	1.40% of taxable income
19	Over \$3,000 but	\$42.00 plus 3.20% of
20	not over \$6,000	excess over \$3,000
21	Over \$6,000 but	\$138.00 plus 5.50% of



## H.B. NO. 2733

1	not over \$12,000	excess over \$6,000
2	Over \$12,000 but	\$468.00 plus 6.40% of
3	not over \$18,000	excess over \$12,000
4	Over \$18,000 but	\$852.00 plus 6.80% of
5	not over \$24,000	excess over \$18,000
6	Over \$24,000 but	\$1,260.00 plus 7.20% of
7	not over \$30,000	excess over \$24,000
8	Over \$30,000 but	\$1,692.00 plus 7.60% of
9	not over \$45,000	excess over \$30,000
10	Over \$45,000 but	\$2,832.00 plus 7.90% of
11	not over \$60,000	excess over \$45,000
12	Over \$60,000	\$4,017.00 plus 8.25% of
13		excess over \$60,000.

14 In the case of any taxable year beginning after December  
 15 31, 2006:

16	If the taxable income is:	The tax shall be:
17	Not over \$3,600	1.40% of taxable income
18	Over \$3,600 but	\$50.00 plus 3.20% of
19	not over \$7,200	excess over \$3,600
20	Over \$7,200 but	\$166.00 plus 5.50% of
21	not over \$14,400	excess over \$7,200



# H.B. NO. 2733

1	Over \$14,400 but	\$562.00 plus 6.40% of
2	not over \$21,600	excess over \$14,400
3	Over \$21,600 but	\$1,022.00 plus 6.80% of
4	not over \$28,800	excess over \$21,600
5	Over \$28,800 but	\$1,512.00 plus 7.20% of
6	not over \$36,000	excess over \$28,800
7	Over \$36,000 but	\$2,030.00 plus 7.60% of
8	not over \$54,000	excess over \$36,000
9	Over \$54,000 but	\$3,398.00 plus 7.90% of
10	not over \$72,000	excess over \$54,000
11	Over \$72,000	\$4,820.00 plus 8.25% of
12		excess over \$72,000.

13 In the case of any taxable year beginning after December  
 14 31, 2015:

15	<u>If the taxable income is:</u>	<u>The tax shall be:</u>
16	<u>Not over \$3,600</u>	<u>1.40% of taxable income</u>
17	<u>Over \$3,600 but</u>	<u>\$50.00 plus 3.20% of</u>
18	<u>not over \$7,200</u>	<u>excess over \$3,600</u>
19	<u>Over \$7,200 but</u>	<u>\$166.00 plus 5.50% of</u>
20	<u>not over \$14,400</u>	<u>excess over \$7,200</u>
21	<u>Over \$14,400 but</u>	<u>\$562.00 plus 6.40% of</u>



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1	<u>not over \$21,600</u>	<u>excess over \$14,400</u>
2	<u>Over \$21,600 but</u>	<u>\$1,022.00 plus 6.80% of</u>
3	<u>not over \$28,800</u>	<u>excess over \$21,600</u>
4	<u>Over \$28,800 but</u>	<u>\$1,512.00 plus 7.20% of</u>
5	<u>not over \$36,000</u>	<u>excess over \$28,800</u>
6	<u>Over \$36,000 but</u>	<u>\$2,030.00 plus 7.60% of</u>
7	<u>not over \$54,000</u>	<u>excess over \$36,000</u>
8	<u>Over \$54,000 but</u>	<u>\$3,398.00 plus 7.90% of</u>
9	<u>not over \$72,000</u>	<u>excess over \$54,000</u>
10	<u>Over \$72,000 but</u>	<u>\$4,820.00 plus 8.25% of</u>
11	<u>not over \$225,000</u>	<u>excess over \$72,000</u>
12	<u>Over \$225,000 but</u>	<u>\$17,443.00 plus 9.00% of</u>
13	<u>not over \$262,500</u>	<u>excess over</u>
14		<u>\$225,000</u>
15	<u>Over \$262,500 but</u>	<u>\$20,818.00 plus 10.00%</u>
16	<u>of not over \$300,000</u>	<u>excess over</u>
17		<u>\$262,500</u>
18	<u>Over \$300,000</u>	<u>\$24,568.00 plus 11.00%</u>
19		<u>of excess over</u>
20		<u>\$300,000.</u>



1 (c) There is hereby imposed on the taxable income of (1)  
 2 every unmarried individual (other than a surviving spouse, or  
 3 the head of a household) and (2) on the taxable income of every  
 4 married individual who does not make a single return jointly  
 5 with the individual's spouse under section 235-93 a tax  
 6 determined in accordance with the following table:

7 In the case of any taxable year beginning after December  
 8 31, 2001:

9	If the taxable income is:	The tax shall be:
10	Not over \$2,000	1.40% of taxable income
11	Over \$2,000 but	\$28.00 plus 3.20% of
12	not over \$4,000	excess over \$2,000
13	Over \$4,000 but	\$92.00 plus 5.50% of
14	not over \$8,000	excess over \$4,000
15	Over \$8,000 but	\$312.00 plus 6.40% of
16	not over \$12,000	excess over \$8,000
17	Over \$12,000 but	\$568.00 plus 6.80% of
18	not over \$16,000	excess over \$12,000
19	Over \$16,000 but	\$840.00 plus 7.20% of
20	not over \$20,000	excess over \$16,000
21	Over \$20,000 but,	\$1,128.00 plus 7.60% of





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1	not over \$30,000	excess over \$20,000
2	Over \$30,000 but	\$1,888.00 plus 7.90% of
3	not over \$40,000	excess over \$30,000
4	Over \$40,000	\$2,678.00 plus 8.25% of
5		excess over \$40,000.
6	In the case of any taxable year beginning after December	
7	31, 2006:	
8	If the taxable income is:	The tax shall be:
9	Not over \$2,400	1.40% of taxable income
10	Over \$2,400 but	\$34.00 plus 3.20% of
11	not over \$4,800	excess over \$2,400
12	Over \$4,800 but	\$110.00 plus 5.50% of
13	not over \$9,600	excess over \$4,800
14	Over \$9,600 but	\$374.00 plus 6.40% of
15	not over \$14,400	excess over \$9,600
16	Over \$14,400 but	\$682.00 plus 6.80% of
17	not over \$19,200	excess over \$14,400
18	Over \$19,200 but	\$1,008.00 plus 7.20% of
19	not over \$24,000	excess over \$19,200
20	Over \$24,000 but	\$1,354.00 plus 7.60% of
21	not over \$36,000	excess over \$24,000



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1           Over \$36,000 but                                 \$2,266.00 plus 7.90% of  
 2                   not over \$48,000                                 excess over \$36,000  
 3           Over \$48,000                                 \$3,214.00 plus 8.25% of  
 4   excess over \$48,000.

5           In the case of any taxable year beginning after December  
 6 31, 2015:

<u>If the taxable income is:</u>	<u>The tax shall be:</u>
7 <u>Not over \$2,400</u>	<u>1.40% of taxable income</u>
8 <u>Over \$2,400 but</u>	<u>\$34.00 plus 3.20% of</u>
9 <u>not over \$4,800</u>	<u>excess over \$2,400</u>
10 <u>Over \$4,800 but</u>	<u>\$110.00 plus 5.50% of</u>
11 <u>not over \$9,600</u>	<u>excess over \$4,800</u>
12 <u>Over \$9,600 but</u>	<u>\$374.00 plus 6.40% of</u>
13 <u>not over \$14,400</u>	<u>excess over \$9,600</u>
14 <u>Over \$14,400 but</u>	<u>\$682.00 plus 6.80% of</u>
15 <u>not over \$19,200</u>	<u>excess over \$14,400</u>
16 <u>Over \$19,200 but</u>	<u>\$1,008.00 plus 7.20% of</u>
17 <u>not over \$24,000</u>	<u>excess over \$19,200</u>
18 <u>Over \$24,000 but</u>	<u>\$1,354.00 plus 7.60% of</u>
19 <u>not over \$36,000</u>	<u>excess over \$24,000</u>
20 <u>Over \$36,000 but</u>	<u>\$2,266.00 plus 7.90% of</u>
21	



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1	<u>not over \$48,000</u>	<u>excess over \$36,000</u>
2	<u>Over \$48,000 but</u>	<u>\$3,214.00 plus 8.25% of</u>
3	<u>not over \$150,000</u>	<u>excess over \$48,000</u>
4	<u>Over \$150,000 but</u>	<u>\$11,629.00 plus 9.00% of</u>
5	<u>not over \$175,000</u>	<u>excess over \$150,000</u>
6	<u>Over \$175,000 but</u>	<u>\$13,879.00 plus 10.00%</u>
7	<u>of not over \$200,000</u>	<u>excess over \$175,000</u>
8	<u>Over \$200,000</u>	<u>\$16,379.00 plus 11.00%</u>
9		<u>of excess over</u>
10		<u>\$200,000."</u>

11 SECTION 45. Section 235-55.7, Hawaii Revised Statutes, is  
 12 amended to read as follows:

13 "§235-55.7 Income tax credit for low-income household  
 14 renters. (a) As used in this section:

- 15 (1) "Adjusted gross income" is defined by section 235-1.
- 16 (2) "Qualified exemption" includes those exemptions
- 17 permitted under this chapter; provided that a person
- 18 for whom exemption is claimed has physically resided
- 19 in the State for more than nine months during the
- 20 taxable year; and provided that multiple exemption



1 shall not be granted because of deficiencies in  
2 vision, hearing, or other disability.

3 (3) "Rent" means the amount paid in cash in any taxable  
4 year for the occupancy of a dwelling place which is  
5 used by a resident taxpayer or the resident taxpayer's  
6 immediate family as the principal residence in this  
7 State. Rent is limited to the amount paid for the  
8 occupancy of the dwelling place only, and is exclusive  
9 of charges for utilities, parking stalls, storage of  
10 goods, yard services, furniture, furnishings, and the  
11 like. Rent shall not include any rental claimed as a  
12 deduction from gross income or adjusted gross income  
13 for income tax purposes, any ground rental paid for  
14 use of land only, and any rent allowance or subsidies  
15 received.

16 (4) "Consumer price index" means the consumer price index  
17 for all urban consumers published by the United States  
18 Department of Labor.

19 (b) Each resident taxpayer who occupies and pays rent for  
20 real property within the State as the resident taxpayer's  
21 residence or the residence of the resident taxpayer's immediate



1 family which is not partially or wholly exempted from real  
2 property tax, who is not eligible to be claimed as a dependent  
3 for federal or state income taxes by another, and who files an  
4 individual net income tax return for a taxable year, may claim a  
5 tax credit under this section against the resident taxpayer's  
6 Hawaii state individual net income tax.

7 (c) Each taxpayer with an adjusted gross income of less  
8 than [~~\$30,000~~] \$60,000 who has paid more than \$1,000 in rent  
9 during the taxable year for which the credit is claimed may  
10 claim a tax credit of [~~\$50~~] \$150 multiplied by the number of  
11 qualified exemptions to which the taxpayer is entitled; provided  
12 each taxpayer sixty-five years of age or over may claim double  
13 the tax credit; and provided that a resident individual who has  
14 no income or no income taxable under this chapter may also claim  
15 the tax credit as set forth in this section.

16 (d) If a rental unit is occupied by two or more  
17 individuals, and more than one individual is able to qualify as  
18 a claimant, the claim for credit shall be based upon a pro rata  
19 share of the rent paid.

20 (e) The tax credits shall be deductible from the  
21 taxpayer's individual net income tax for the tax year in which



1 the credits are properly claimed; provided that a husband and  
2 wife filing separate returns for a taxable year for which a  
3 joint return could have been made by them shall claim only the  
4 tax credits to which they would have been entitled had a joint  
5 return been filed. In the event the allowed tax credits exceed  
6 the amount of the income tax payments due from the taxpayer, the  
7 excess of credits over payments due shall be refunded to the  
8 taxpayer; provided that allowed tax credits properly claimed by  
9 an individual who has no income tax liability shall be paid to  
10 the individual; and provided further that no refunds or payments  
11 on account of the tax credits allowed by this section shall be  
12 made for amounts less than \$1.

13 (f) The director of taxation shall prepare and prescribe  
14 the appropriate form or forms to be used herein, may require  
15 proof of the claim for tax credits, and may adopt rules pursuant  
16 to chapter 91.

17 (g) All of the provisions relating to assessments and  
18 refunds under this chapter and under section 231-23(c)(1) shall  
19 apply to the tax credits hereunder.

20 (h) Claims for tax credits under this section, including  
21 any amended claims thereof, shall be filed on or before the end



1 of the twelfth month following the taxable year for which the  
2 credit may be claimed.

3 (i) For any taxable year beginning in a calendar year  
4 after 2017, each dollar amount contained in subsection (c) shall  
5 be increased by an amount equal to such dollar amount multiplied  
6 by the percentage, if any, by which the consumer price index for  
7 the preceding calendar year exceeds the consumer price index for  
8 the calendar year 2016."

9 SECTION 46. Section 235-55.85, Hawaii Revised Statutes, is  
10 amended as follows:

11 1. By amending subsections (b) and (c) to read:

12 "(b) Each individual taxpayer may claim a refundable  
13 food/excise tax credit multiplied by the number of qualified  
14 exemptions to which the taxpayer is entitled in accordance with  
15 the table below; provided that a husband and wife filing  
16 separate tax returns for a taxable year for which a joint return  
17 could have been filed by them shall claim only the tax credit to  
18 which they would have been entitled had a joint return been  
19 filed.

20 Adjusted gross income                      Credit per exemption  
21 for taxpayers filing



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1	a single return		
2	Under \$5,000	<del>[\$110]</del>	<u>\$170</u>
3	\$5,000 under \$10,000	<del>[\$100]</del>	<u>\$150</u>
4	\$10,000 under \$15,000	<del>[\$85]</del>	<u>\$130</u>
5	\$15,000 under \$20,000	<del>[\$70]</del>	<u>\$110</u>
6	\$20,000 under \$30,000	<del>[\$55]</del>	<u>\$90</u>
7	\$30,000 and over		\$0
8	Adjusted gross income	Credit per exemption	
9	for heads of household,		
10	married individuals filing		
11	separate returns, and		
12	married couples filing		
13	joint returns		
14	Under \$5,000	<del>[\$110]</del>	<u>\$170</u>
15	\$5,000 under \$10,000	<del>[\$100]</del>	<u>\$150</u>
16	\$10,000 under \$15,000	<del>[\$85]</del>	<u>\$130</u>
17	\$15,000 under \$20,000	<del>[\$70]</del>	<u>\$110</u>
18	\$20,000 under \$30,000	<del>[\$55]</del>	<u>\$90</u>
19	\$30,000 under \$40,000	<del>[\$45]</del>	<u>\$75</u>
20	\$40,000 under \$50,000	<del>[\$35]</del>	<u>\$55</u>
21	<u>\$50,000 under \$60,000</u>		<u>\$45</u>





1    [~~\$50,000~~] \$60,000 and over                                \$0

2            (c)    [~~For the purposes of this section, a qualified~~

3    ~~exemption is defined to include those exemptions permitted under~~

4    ~~this chapter; provided that no additional exemption may be~~

5    ~~claimed by a taxpayer who is sixty five years of age or older;~~

6    ~~provided that a person for whom exemption is claimed has been~~

7    ~~physically present in the State for more than nine months during~~

8    ~~the taxable year; and provided further that multiple exemptions~~

9    ~~shall not be granted because of deficiencies in vision or~~

10   ~~hearing, or other disability. For purposes of claiming this~~

11   ~~credit only, a minor child receiving support from the department~~

12   ~~of human services of the State, social security survivor's~~

13   ~~benefits, and the like, may be considered a dependent and a~~

14   ~~qualified exemption of the parent or guardian.] For any taxable~~

15   year beginning in a calendar year after 2016, each dollar amount

16   contained in subsection (b) shall be increased by an amount

17   equal to such dollar amount multiplied by the percentage, if

18   any, by which the consumer price index for the preceding

19   calendar year exceeds the consumer price index for the calendar

20   year 2015."

21            2. By amending subsection (g) to read:



1           "(g) For the purposes of this section [~~,"adjusted]~~ :

2           "Adjusted gross income" means adjusted gross income as  
3 defined by the Internal Revenue Code.

4           "Consumer price index" means the consumer price index for  
5 all urban consumers published by the United States Department of  
6 Labor.

7           "Qualified exemption" means those exemptions permitted  
8 under this chapter; provided that no additional exemption may be  
9 claimed by a taxpayer who is sixty-five years of age or older;  
10 provided further that a person who claims such an exemption  
11 shall have physically resided in the State for more than nine  
12 months during the taxable year; provided further that multiple  
13 exemptions shall not be granted because of deficiencies in  
14 vision or hearing or other disability. For purposes of claiming  
15 this credit only, a minor child receiving support from the  
16 department of human services, Social Security survivor's  
17 benefits, and the like, may be considered a dependent and a  
18 qualified exemption of the parent or guardian."

19           SECTION 47. Section 237-13, Hawaii Revised Statutes, is  
20 amended to read as follows:



1           "§237-13   Imposition of tax.  There is hereby levied and  
2 shall be assessed and collected annually privilege taxes against  
3 persons on account of their business and other activities in the  
4 State measured by the application of rates against values of  
5 products, gross proceeds of sales, or gross income, whichever is  
6 specified, as follows:

7           (1)   Tax on manufacturers.

8                   (A)   Upon every person engaging or continuing within  
9                   the State in the business of manufacturing,  
10                   including compounding, canning, preserving,  
11                   packing, printing, publishing, milling,  
12                   processing, refining, or preparing for sale,  
13                   profit, or commercial use, either directly or  
14                   through the activity of others, in whole or in  
15                   part, any article or articles, substance or  
16                   substances, commodity or commodities, the amount  
17                   of the tax to be equal to the value of the  
18                   articles, substances, or commodities,  
19                   manufactured, compounded, canned, preserved,  
20                   packed, printed, milled, processed, refined, or  
21                   prepared for sale, as shown by the gross proceeds



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1           derived from the sale thereof by the manufacturer  
2           or person compounding, preparing, or printing  
3           them, multiplied by one-half of one per cent.

4           (B) The measure of the tax on manufacturers is the  
5           value of the entire product for sale, regardless  
6           of the place of sale or the fact that deliveries  
7           may be made to points outside the State.

8           (C) If any person liable for the tax on manufacturers  
9           ships or transports the person's product, or any  
10          part thereof, out of the State, whether in a  
11          finished or unfinished condition, or sells the  
12          same for delivery to points outside the State  
13          (for example, consigned to a mainland purchaser  
14          via common carrier f.o.b. Honolulu), the value of  
15          the products in the condition or form in which  
16          they exist immediately before entering interstate  
17          or foreign commerce, determined as hereinafter  
18          provided, shall be the basis for the assessment  
19          of the tax imposed by this paragraph. This tax  
20          shall be due and payable as of the date of entry  
21          of the products into interstate or foreign



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1           commerce, whether the products are then sold or  
2           not. The department shall determine the basis  
3           for assessment, as provided by this paragraph, as  
4           follows:

5           (i) If the products at the time of their entry  
6           into interstate or foreign commerce already  
7           have been sold, the gross proceeds of sale,  
8           less the transportation expenses, if any,  
9           incurred in realizing the gross proceeds for  
10          transportation from the time of entry of the  
11          products into interstate or foreign  
12          commerce, including insurance and storage in  
13          transit, shall be the measure of the value  
14          of the products;

15          (ii) If the products have not been sold at the  
16          time of their entry into interstate or  
17          foreign commerce, and in cases governed by  
18          clause (i) in which the products are sold  
19          under circumstances such that the gross  
20          proceeds of sale are not indicative of the  
21          true value of the products, the value of the



1 products constituting the basis for  
2 assessment shall correspond as nearly as  
3 possible to the gross proceeds of sales for  
4 delivery outside the State, adjusted as  
5 provided in clause (i), or if sufficient  
6 data are not available, sales in the State,  
7 of similar products of like quality and  
8 character and in similar quantities, made by  
9 the taxpayer (unless not indicative of the  
10 true value) or by others. Sales outside the  
11 State, adjusted as provided in clause (i),  
12 may be considered when they constitute the  
13 best available data. The department shall  
14 prescribe uniform and equitable rules for  
15 ascertaining the values;

16 (iii) At the election of the taxpayer and with the  
17 approval of the department, the taxpayer may  
18 make the taxpayer's returns under clause (i)  
19 even though the products have not been sold  
20 at the time of their entry into interstate  
21 or foreign commerce; and



1           (iv) In all cases in which products leave the  
2                   State in an unfinished condition, the basis  
3                   for assessment shall be adjusted so as to  
4                   deduct the portion of the value as is  
5                   attributable to the finishing of the goods  
6                   outside the State.

7           (2) Tax on business of selling tangible personal property;  
8                   producing.

9           (A) Upon every person engaging or continuing in the  
10                   business of selling any tangible personal  
11                   property whatsoever (not including, however,  
12                   bonds or other evidence of indebtedness, or  
13                   stocks), there is likewise hereby levied, and  
14                   shall be assessed and collected, a tax equivalent  
15                   to [~~four~~] five per cent of the gross proceeds of  
16                   sales of the business; provided that, in the case  
17                   of a wholesaler, the tax shall be equal to one-  
18                   half of one per cent of the gross proceeds of  
19                   sales of the business; and provided further that  
20                   insofar as the sale of tangible personal property  
21                   is a wholesale sale under section 237-4(a)(8),



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1           the tax shall be one-half of one per cent of the  
2           gross proceeds. Upon every person engaging or  
3           continuing within this State in the business of a  
4           producer, the tax shall be equal to one-half of  
5           one per cent of the gross proceeds of sales of  
6           the business, or the value of the products, for  
7           sale, if sold for delivery outside the State or  
8           shipped or transported out of the State, and the  
9           value of the products shall be determined in the  
10          same manner as the value of manufactured products  
11          covered in the cases under paragraph (1) (C).

12          (B) Gross proceeds of sales of tangible property in  
13          interstate and foreign commerce shall constitute  
14          a part of the measure of the tax imposed on  
15          persons in the business of selling tangible  
16          personal property, to the extent, under the  
17          conditions, and in accordance with the provisions  
18          of the Constitution of the United States and the  
19          Acts of the Congress of the United States which  
20          may be now in force or may be hereafter adopted,  
21          and whenever there occurs in the State an





1 activity to which, under the Constitution and  
2 Acts of Congress, there may be attributed gross  
3 proceeds of sales, the gross proceeds shall be so  
4 attributed.

5 (C) No manufacturer or producer, engaged in such  
6 business in the State and selling the  
7 manufacturer's or producer's products for  
8 delivery outside of the State (for example,  
9 consigned to a mainland purchaser via common  
10 carrier f.o.b. Honolulu), shall be required to  
11 pay the tax imposed in this chapter for the  
12 privilege of so selling the products, and the  
13 value or gross proceeds of sales of the products  
14 shall be included only in determining the measure  
15 of the tax imposed upon the manufacturer or  
16 producer.

17 (D) When a manufacturer or producer, engaged in such  
18 business in the State, also is engaged in selling  
19 the manufacturer's or producer's products in the  
20 State at wholesale, retail, or in any other  
21 manner, the tax for the privilege of engaging in



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1           the business of selling the products in the State  
2           shall apply to the manufacturer or producer as  
3           well as the tax for the privilege of  
4           manufacturing or producing in the State, and the  
5           manufacturer or producer shall make the returns  
6           of the gross proceeds of the wholesale, retail,  
7           or other sales required for the privilege of  
8           selling in the State, as well as making the  
9           returns of the value or gross proceeds of sales  
10          of the products required for the privilege of  
11          manufacturing or producing in the State. The  
12          manufacturer or producer shall pay the tax  
13          imposed in this chapter for the privilege of  
14          selling its products in the State, and the value  
15          or gross proceeds of sales of the products, thus  
16          subjected to tax, may be deducted insofar as  
17          duplicated as to the same products by the measure  
18          of the tax upon the manufacturer or producer for  
19          the privilege of manufacturing or producing in  
20          the State; provided that no producer of  
21          agricultural products who sells the products to a



1 purchaser who will process the products outside  
2 the State shall be required to pay the tax  
3 imposed in this chapter for the privilege of  
4 producing or selling those products.

5 (E) A taxpayer selling to a federal cost-plus  
6 contractor may make the election provided for by  
7 paragraph (3)(C), and in that case the tax shall  
8 be computed pursuant to the election,  
9 notwithstanding this paragraph or paragraph (1)  
10 to the contrary.

11 (F) The department, by rule, may require that a  
12 seller take from the purchaser of tangible  
13 personal property a certificate, in a form  
14 prescribed by the department, certifying that the  
15 sale is a sale at wholesale; provided that:

16 (i) Any purchaser who furnishes a certificate  
17 shall be obligated to pay to the seller,  
18 upon demand, the amount of the additional  
19 tax that is imposed upon the seller whenever  
20 the sale in fact is not at wholesale; and



1                   (ii) The absence of a certificate in itself shall  
2                   give rise to the presumption that the sale  
3                   is not at wholesale unless the sales of the  
4                   business are exclusively at wholesale.

5           (3) Tax upon contractors.

6                   (A) Upon every person engaging or continuing within  
7                   the State in the business of contracting, the tax  
8                   shall be equal to [~~four~~] five per cent of the  
9                   gross income of the business.

10                   (B) In computing the tax levied under this paragraph,  
11                   there shall be deducted from the gross income of  
12                   the taxpayer so much thereof as has been included  
13                   in the measure of the tax levied under  
14                   subparagraph (A), on:

15                           (i) Another taxpayer who is a contractor, as  
16                           defined in section 237-6;

17                           (ii) A specialty contractor, duly licensed by the  
18                           department of commerce and consumer affairs  
19                           pursuant to section 444-9, in respect of the  
20                           specialty contractor's business; or



1           (iii) A specialty contractor who is not licensed  
2                   by the department of commerce and consumer  
3                   affairs pursuant to section 444-9, but who  
4                   performs contracting activities on federal  
5                   military installations and nowhere else in  
6                   this State;

7           provided that any person claiming a deduction  
8                   under this paragraph shall be required to show in  
9                   the person's return the name and general excise  
10                  number of the person paying the tax on the amount  
11                  deducted by the person.

12          (C) In computing the tax levied under this paragraph  
13                  against any federal cost-plus contractor, there  
14                  shall be excluded from the gross income of the  
15                  contractor so much thereof as fulfills the  
16                  following requirements:

17               (i) The gross income exempted shall constitute  
18                   reimbursement of costs incurred for  
19                   materials, plant, or equipment purchased  
20                   from a taxpayer licensed under this chapter,  
21                   not exceeding the gross proceeds of sale of



1                   the taxpayer on account of the transaction;  
2                   and

3                   (ii) The taxpayer making the sale shall have  
4                   certified to the department that the  
5                   taxpayer is taxable with respect to the  
6                   gross proceeds of the sale, and that the  
7                   taxpayer elects to have the tax on gross  
8                   income computed the same as upon a sale to  
9                   the state government.

10                  (D) A person who, as a business or as a part of a  
11                   business in which the person is engaged, erects,  
12                   constructs, or improves any building or  
13                   structure, of any kind or description, or makes,  
14                   constructs, or improves any road, street,  
15                   sidewalk, sewer, or water system, or other  
16                   improvements on land held by the person (whether  
17                   held as a leasehold, fee simple, or otherwise),  
18                   upon the sale or other disposition of the land or  
19                   improvements, even if the work was not done  
20                   pursuant to a contract, shall be liable to the  
21                   same tax as if engaged in the business of



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1           contracting, unless the person shows that at the  
2           time the person was engaged in making the  
3           improvements the person intended, and for the  
4           period of at least one year after completion of  
5           the building, structure, or other improvements  
6           the person continued to intend to hold and not  
7           sell or otherwise dispose of the land or  
8           improvements. The tax in respect of the  
9           improvements shall be measured by the amount of  
10          the proceeds of the sale or other disposition  
11          that is attributable to the erection,  
12          construction, or improvement of such building or  
13          structure, or the making, constructing, or  
14          improving of the road, street, sidewalk, sewer,  
15          or water system, or other improvements. The  
16          measure of tax in respect of the improvements  
17          shall not exceed the amount which would have been  
18          taxable had the work been performed by another,  
19          subject as in other cases to the deductions  
20          allowed by subparagraph (B). Upon the election  
21          of the taxpayer, this paragraph may be applied



1           notwithstanding that the improvements were not  
2           made by the taxpayer, or were not made as a  
3           business or as a part of a business, or were made  
4           with the intention of holding the same. However,  
5           this paragraph shall not apply in respect of any  
6           proceeds that constitute or are in the nature of  
7           rent; all such gross income shall be taxable  
8           under paragraph (9); provided that insofar as the  
9           business of renting or leasing real property  
10          under a lease is taxed under section 237-16.5,  
11          the tax shall be levied by section 237-16.5.

12       (4) Tax upon theaters, amusements, radio broadcasting  
13       stations, etc.

14       (A) Upon every person engaging or continuing within  
15       the State in the business of operating a theater,  
16       opera house, moving picture show, vaudeville,  
17       amusement park, dance hall, skating rink, radio  
18       broadcasting station, or any other place at which  
19       amusements are offered to the public, the tax  
20       shall be equal to [~~four~~] five per cent of the  
21       gross income of the business, and in the case of





1           a sale of an amusement at wholesale under section  
2           237-4(a)(13), the tax shall be one-half of one  
3           per cent of the gross income.

4           (B) The department may require that the person  
5           rendering an amusement at wholesale take from the  
6           licensed seller a certificate, in a form  
7           prescribed by the department, certifying that the  
8           sale is a sale at wholesale; provided that:

9           (i) Any licensed seller who furnishes a  
10           certificate shall be obligated to pay to the  
11           person rendering the amusement, upon demand,  
12           the amount of additional tax that is imposed  
13           upon the seller whenever the sale is not at  
14           wholesale; and

15           (ii) The absence of a certificate in itself shall  
16           give rise to the presumption that the sale  
17           is not at wholesale unless the person  
18           rendering the sale is exclusively rendering  
19           the amusement at wholesale.

20           (5) Tax upon sales representatives, etc. Upon every  
21           person classified as a representative or purchasing



1 agent under section 237-1, engaging or continuing  
2 within the State in the business of performing  
3 services for another, other than as an employee, there  
4 is likewise hereby levied and shall be assessed and  
5 collected a tax equal to [~~four~~] five per cent of the  
6 commissions and other compensation attributable to the  
7 services so rendered by the person.

8 (6) Tax on service business.

9 (A) Upon every person engaging or continuing within  
10 the State in any service business or calling  
11 including professional services not otherwise  
12 specifically taxed under this chapter, there is  
13 likewise hereby levied and shall be assessed and  
14 collected a tax equal to [~~four~~] five per cent of  
15 the gross income of the business, and in the case  
16 of a wholesaler under section 237-4(a)(10), the  
17 tax shall be equal to one-half of one per cent of  
18 the gross income of the business.

19 (B) The department may require that the person  
20 rendering a service at wholesale take from the  
21 licensed seller a certificate, in a form



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1           prescribed by the department, certifying that the  
2           sale is a sale at wholesale; provided that:

3           (i) Any licensed seller who furnishes a  
4           certificate shall be obligated to pay to the  
5           person rendering the service, upon demand,  
6           the amount of additional tax that is imposed  
7           upon the seller whenever the sale is not at  
8           wholesale; and

9           (ii) The absence of a certificate in itself shall  
10          give rise to the presumption that the sale  
11          is not at wholesale unless the person  
12          rendering the sale is exclusively rendering  
13          services at wholesale.

14          (C) Where any person is engaged in the business of  
15          selling interstate or foreign common carrier  
16          telecommunication services within and without the  
17          State, other than as a home service provider, the  
18          tax shall be imposed on that portion of gross  
19          income received by a person from service which is  
20          originated or terminated in this State and is  
21          charged to a telephone number, customer, or



1 account in this State notwithstanding any other  
2 state law (except for the exemption under section  
3 237-23(a)(1)) to the contrary. If, under the  
4 Constitution and laws of the United States, the  
5 entire gross income as determined under this  
6 paragraph of a business selling interstate or  
7 foreign common carrier telecommunication services  
8 cannot be included in the measure of the tax, the  
9 gross income shall be apportioned as provided in  
10 section 237-21; provided that the apportionment  
11 factor and formula shall be the same for all  
12 persons providing those services in the State.

13 (D) Where any person is engaged in the business of a  
14 home service provider, the tax shall be imposed  
15 on the gross income received or derived from  
16 providing interstate or foreign mobile  
17 telecommunications services to a customer with a  
18 place of primary use in this State when such  
19 services originate in one state and terminate in  
20 another state, territory, or foreign country;  
21 provided that all charges for mobile



1 telecommunications services which are billed by  
2 or for the home service provider are deemed to be  
3 provided by the home service provider at the  
4 customer's place of primary use, regardless of  
5 where the mobile telecommunications originate,  
6 terminate, or pass through; provided further that  
7 the income from charges specifically derived from  
8 interstate or foreign mobile telecommunications  
9 services, as determined by books and records that  
10 are kept in the regular course of business by the  
11 home service provider in accordance with section  
12 239-24, shall be apportioned under any  
13 apportionment factor or formula adopted under  
14 subparagraph (C). Gross income shall not  
15 include:

16 (i) Gross receipts from mobile  
17 telecommunications services provided to a  
18 customer with a place of primary use outside  
19 this State;



- 1           (ii) Gross receipts from mobile
- 2                   telecommunications services that are subject
- 3                   to the tax imposed by chapter 239;
- 4           (iii) Gross receipts from mobile
- 5                   telecommunications services taxed under
- 6                   section 237-13.8; and
- 7           (iv) Gross receipts of a home service provider
- 8                   acting as a serving carrier providing mobile
- 9                   telecommunications services to another home
- 10                  service provider's customer.

11           For the purposes of this paragraph, "charges for  
12           mobile telecommunications services", "customer",  
13           "home service provider", "mobile  
14           telecommunications services", "place of primary  
15           use", and "serving carrier" have the same meaning  
16           as in section 239-22.

17           (7) Tax on insurance producers. Upon every person engaged  
18           as a licensed producer pursuant to chapter 431, there  
19           is hereby levied and shall be assessed and collected a  
20           tax equal to 0.15 per cent of the commissions due to  
21           that activity.



- 1           (8) Tax on receipts of sugar benefit payments. Upon the  
2           amounts received from the United States government by  
3           any producer of sugar (or the producer's legal  
4           representative or heirs), as defined under and by  
5           virtue of the Sugar Act of 1948, as amended, or other  
6           Acts of the Congress of the United States relating  
7           thereto, there is hereby levied a tax of one-half of  
8           one per cent of the gross amount received; provided  
9           that the tax levied hereunder on any amount so  
10          received and actually disbursed to another by a  
11          producer in the form of a benefit payment shall be  
12          paid by the person or persons to whom the amount is  
13          actually disbursed, and the producer actually making a  
14          benefit payment to another shall be entitled to claim  
15          on the producer's return a deduction from the gross  
16          amount taxable hereunder in the sum of the amount so  
17          disbursed. The amounts taxed under this paragraph  
18          shall not be taxable under any other paragraph,  
19          subsection, or section of this chapter.
- 20          (9) Tax on other business. Upon every person engaging or  
21          continuing within the State in any business, trade,



1 activity, occupation, or calling not included in the  
2 preceding paragraphs or any other provisions of this  
3 chapter, there is likewise hereby levied and shall be  
4 assessed and collected, a tax equal to four per cent  
5 of the gross income thereof. In addition, the rate  
6 prescribed by this paragraph shall apply to a business  
7 taxable under one or more of the preceding paragraphs  
8 or other provisions of this chapter, as to any gross  
9 income thereof not taxed thereunder as gross income or  
10 gross proceeds of sales or by taxing an equivalent  
11 value of products, unless specifically exempted."

12 SECTION 48. Section 237-15, Hawaii Revised Statutes, is  
13 amended to read as follows:

14 "§237-15 **Technicians.** When technicians supply dentists or  
15 physicians with dentures, orthodontic devices, braces, and  
16 similar items which have been prepared by the technician in  
17 accordance with specifications furnished by the dentist or  
18 physician, and such items are to be used by the dentist or  
19 physician in the dentist's or physician's professional practice  
20 for a particular patient who is to pay the dentist or physician  
21 for the same as a part of the dentist's or physician's





1 professional services, the technician shall be taxed as though  
2 the technician were a manufacturer selling a product to a  
3 licensed retailer, rather than at the rate of [~~four~~] five per  
4 cent which is generally applied to professions and services."

5 SECTION 49. Section 237-16.5, Hawaii Revised Statutes, is  
6 amended by amending subsection (a) to read as follows:

7 "(a) This section relates to the leasing of real property  
8 by a lessor to a lessee. There is hereby levied, and shall be  
9 assessed and collected annually, a privilege tax against persons  
10 engaging or continuing within the State in the business of  
11 leasing real property to another, equal to [~~four~~] five per cent  
12 of the gross proceeds or gross income received or derived from  
13 the leasing; provided that where real property is subleased by a  
14 lessee to a sublessee, the lessee, as provided in this section,  
15 shall be allowed a deduction from the amount of gross proceeds  
16 or gross income received from its sublease of the real property.  
17 The deduction shall be in the amount allowed under this section.

18 All deductions under this section and the name and general  
19 excise tax number of the lessee's lessor shall be reported on  
20 the general excise tax return. Any deduction allowed under this



1 section shall only be allowed with respect to leases and  
2 subleases in writing and relating to the same real property."

3 SECTION 50. Section 237-18, Hawaii Revised Statutes, is  
4 amended by amending subsection (f) to read as follows:

5 "(f) Where tourism related services are furnished through  
6 arrangements made by a travel agency or tour packager and the  
7 gross income is divided between the provider of the services and  
8 the travel agency or tour packager, the tax imposed by this  
9 chapter shall apply to each such person with respect to such  
10 person's respective portion of the proceeds, and no more.

11 As used in this subsection "tourism related services" means  
12 catamaran cruises, canoe rides, dinner cruises, lei greetings,  
13 transportation included in a tour package, sightseeing tours not  
14 subject to chapter 239, admissions to luaus, dinner shows,  
15 extravaganzas, cultural and educational facilities, and other  
16 services rendered directly to the customer or tourist, but only  
17 if the providers of the services other than air transportation  
18 are subject to a [~~four~~] five per cent tax under this chapter or  
19 chapter 239."

20 SECTION 51. Section 237-31, Hawaii Revised Statutes, is  
21 amended to read as follows:



1           "§237-31 Remittances. (a) All remittances of taxes  
2 imposed by this chapter shall be made by money, bank draft,  
3 check, cashier's check, money order, or certificate of deposit  
4 to the office of the department of taxation to which the return  
5 was transmitted.

6           (b) The department shall issue its receipts therefor to  
7 the taxpayer and shall pay the moneys into the state treasury as  
8 a state realization, to be kept and accounted for as provided by  
9 law; provided that:

- 10           (1) A sum, not to exceed \$5,000,000, from all general  
11 excise tax revenues realized by the State shall be  
12 deposited in the state treasury in each fiscal year to  
13 the credit of the compound interest bond reserve fund;
- 14           (2) A sum from all general excise tax revenues realized by  
15 the State that is equal to one-half of the total  
16 amount of funds appropriated or transferred out of the  
17 hurricane reserve trust fund under sections 4 and 5 of  
18 Act 62, Session Laws of Hawaii 2011, shall be  
19 deposited into the hurricane reserve trust fund in  
20 fiscal year 2013-2014 and in fiscal year 2014-2015;



1 provided that the deposit required in each fiscal year  
2 shall be made by October 1 of that fiscal year; and  
3 ~~[(3)]~~ Commencing with fiscal year 2018-2019, a sum from all  
4 general excise tax revenues realized by the State that  
5 represents the difference between the state public  
6 employer's annual required contribution for the  
7 separate trust fund established under section 87A-42  
8 and the amount of the state public employer's  
9 contributions into that trust fund shall be deposited  
10 to the credit of the State's annual required  
11 contribution into that trust fund in each fiscal year,  
12 as provided in section 87A-42.

13 (c) Notwithstanding subsection (b), beginning on July 1,  
14 2016, the additional revenues generated and collected from the  
15 increase in general excise tax rates imposed by sections 47, 48,  
16 49, and 50 of Act \_\_\_\_\_, Session Laws of Hawaii 2016, shall be  
17 deposited into a special account in the general fund for  
18 appropriation to and expenditure for operations, including  
19 salaries and maintenance costs, of the department of education  
20 under chapter 302A; provided that moneys budgeted for the  
21 department of education from sources of funding other than the



1 special account, including capital improvement projects, shall  
2 remain equal to or greater than the inflation-adjusted minimum  
3 level of funding, except when the consumer price index for the  
4 twelve-month period ending June 30 of the preceding calendar  
5 year is less than zero.

6 (d) For the purposes of this section:

7 "Consumer price index" means the average over a twelve-  
8 month period of the National Consumer Price Index, not  
9 seasonally adjusted, published monthly by the Bureau of Labor  
10 Statistics, United States Department of Labor, designated as the  
11 "National Consumer Price Index for All Urban Consumers - United  
12 States City Average".

13 "Inflation-adjusted minimum level of funding" means the  
14 total amount of funding provided to the department of education  
15 in the fiscal year that Act , Session Laws of Hawaii 2016, was  
16 enacted; provided that this amount shall increase by three per  
17 cent for each subsequent fiscal year."

18 SECTION 52. Section 4 of Act 223, Session Laws of Hawaii  
19 2015, is amended to read as follows:

20 "SECTION 4. This Act, upon its approval, shall apply to  
21 taxable years beginning after December 31, 2015 [~~;~~ provided that



1 ~~this Act shall be repealed on December 31, 2017, and section~~  
2 ~~235-55.85, Hawaii Revised Statutes, shall be reenacted in the~~  
3 ~~form in which it read on the day prior to the effective date of~~  
4 ~~this Act]."~~

5 PART XIII

6 SECTION 53. There is appropriated out of the general  
7 revenues of the State of Hawaii the sum of \$10,000,000, or so  
8 much thereof as may be necessary for the fiscal year 2016-2017,  
9 to hire one hundred full-time equivalent regular education  
10 teachers to provide instruction in the following areas:

- 11 (1) Fine arts, including visual arts, drama, dance, and  
12 music;
- 13 (2) Hawaiian and Polynesian studies;
- 14 (3) Hawaiian language;
- 15 (4) Vocational, technical, and career pathway programs;
- 16 and
- 17 (5) Mentor teachers.

18 The sum appropriated shall be expended by the department of  
19 education for the purposes of this part.



PART XIV

SECTION 54. Not later than twenty days prior to the convening of the regular sessions of 2017, 2018, 2019, 2020, and 2021, the superintendent of education shall submit a report, including any proposed legislation, to the legislature concerning the progress of implementing this Act. The report shall include the following:

- (1) Progress on the implementation of a weighted student formula for special education and additional preparation time for special education teachers;
- (2) Progress in providing air conditioning to all public school classrooms, including the number of classrooms without air conditioning and the status of air conditioning improvements using off-grid and photovoltaic technology;
- (3) Plans, timetables, and budgetary projections to reduce class size for public elementary, middle and intermediate, and high schools, including cost estimates for necessary personnel and information regarding the total number of classes at each school not in compliance with part XI of this Act;



- 1           (4) Information on the impact of weighted student formula  
2           adjustments required by this Act on funding equity,  
3           including progress on staffing all public schools with  
4           a librarian, technology coordinator, vice principal,  
5           counselor, and special education transition  
6           coordinator, as applicable;
- 7           (5) Integration of whole child education curriculum into  
8           elementary, middle, and intermediate schools;
- 9           (6) Expansion of vocational, technical, and career pathway  
10          programming, including the number of students enrolled  
11          in such programs and cost estimates for any necessary  
12          additional personnel;
- 13          (7) Progress in aligning teacher salary steps with years  
14          of service, including the number of teachers whose  
15          salary steps are not aligned with years of service and  
16          budgetary projections for providing annual step  
17          increases to all teachers beginning with the 2016-2017  
18          school year;
- 19          (8) Progress in recruiting and retaining new teachers,  
20          especially with regard to hard-to-staff positions;





- 1           (9) Information on the operation of the student loan  
2           subsidy program, including the total number of  
3           teachers receiving subsidies and total amount of  
4           subsidies provided to teachers;
- 5           (10) Progress on limiting the overuse of standardized  
6           testing in public schools, including the total number  
7           of student hours used for standardized testing and  
8           test preparation at each grade level, the number of  
9           students and parents or guardians opting out of  
10          standardized testing, and the number of special  
11          education students and students with limited English  
12          language proficiency receiving exemptions from  
13          standardized testing;
- 14          (11) Progress in implementing a debit card system for  
15          classroom supplies, including the cost of implementing  
16          the debit card system, total number of debit card  
17          purchases, total amount of debit card expenditures,  
18          and protocols for preventing abuse;
- 19          (12) Information on funding increases to the department of  
20          education as a result of this Act, including  
21          allocation of funds placed in the special account



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1 contained in part XII of this Act and strategies for  
 2 minimizing administrative costs related to programs  
 3 and functions required by this Act; and

4 (13) Any additional information that the department of  
 5 education deems appropriate with the regard to the  
 6 implementation of this Act.

7 SECTION 55. The board of education shall adopt rules in  
 8 accordance with chapter 91, Hawaii Revised Statutes, to  
 9 effectuate this Act.

10 SECTION 56. Statutory material to be repealed is bracketed  
 11 and stricken. New statutory material is underscored.

12 SECTION 57. This Act shall take effect upon its approval.

13

INTRODUCED BY:

*Takashi Ono*  
 \_\_\_\_\_  
*John M. ...*  
 \_\_\_\_\_  
*Lyn De Corte*  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
*Richard ...*  
 \_\_\_\_\_



# H.B. NO. 2133

**Report Title:**

Public Education; Omnibus

**Description:**

Amends laws affecting the public education system in Hawaii, including whole child education, special education, vocational education, facilities, weighted student formula, teacher recruitment and retention, standardized testing, early childhood education, evaluations, classroom supplies, class size, and funding.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

