



STATE OF HAWAII  
DEPARTMENT OF HUMAN SERVICES  
P. O. Box 339  
Honolulu, Hawaii 96809-0339

March 9, 2018

TO: The Honorable Senator Josh Green, Chair  
Senate Committee on Human Services

FROM: Pankaj Bhanot, Director

SUBJECT: **HB 1718 HD1 – RELATING TO TAXATION**

Hearing: Monday, March 12, 2018, 2:45 p.m.  
Conference Room 016, State Capitol

**DEPARTMENT’S POSITION:** The Department of Human Services (DHS) supports the intent to assist families with young children recoup some of the high costs of child care paid, provides comments, and defers to other experts on tax credits.

**PURPOSE:** The purpose of this bill is to provide a nonrefundable tax credit for eligible taxpayers for child care costs for children up to four years of age.

The House Committee on Health and Human Services amended the measure by defecting the date to encourage further discussion.

The primary focus of the DHS child care licensing program is on the health and safety of all children in child care.

The proposed definition of “‘qualifying costs’ means any cost incurred and paid by the eligible taxpayer after December 31, 2018, for child care for an eligible child at a child care facility, as defined in section 346-151; provided that ‘qualifying costs’ shall not include any cost of attendance at a public or private preschool or elementary school.”

DHS would like to clarify that group child care centers, as defined in section 346-151, Hawaii Revised Statutes (HRS), “means a facility, other than a private home, at which care is provided” and includes group child care centers that are licensed to care for infants up through

school age children. Group child care centers and infant and toddler child care centers that provide care for children from ages six weeks to kindergarten entry, which may be almost six (6) years old if the child is born on August 1 or later, in accordance with section 302A-411, HRS, attend what are informally referred to as 'private preschools.' Therefore, the definition proposed in this bill for "qualifying costs" may unintentionally exclude any child care offered by group child care centers and infant and toddler child care centers that are licensed by DHS to provide child care for children that range in age from birth to kindergarten entry.

Thank you for the opportunity to provide comments on this measure.

DAVID Y. IGE  
GOVERNOR

DOUGLAS S. CHIN  
LIEUTENANT GOVERNOR



LINDA CHU TAKAYAMA  
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**STATE OF HAWAII  
DEPARTMENT OF TAXATION**

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To: The Honorable Josh Green, Chair  
and Members of the Senate Committee on Human Services

Date: Monday, March 12, 2018  
Time: 2:45 P.M.  
Place: Conference Room 016, State Capitol

From: Linda Chu Takayama, Director  
Department of Taxation

Re: H.B. 1718, H.D. 1, Relating to Taxation

The Department of Taxation (Department) offers the following comments on H.B. 1718, H.D. 1, for the Committee's consideration.

H.B. 1718, H.D. 1, creates a nonrefundable income tax credit equal to an unspecified percentage of costs incurred for child care expenses. The credit is capped at an unspecified amount. H.D. 1 has a defective effective date of July 1, 3000, but otherwise applies to expenses incurred in taxable years beginning after December 31, 2018.

The Department notes that a tax credit for child care expenses already exists under Hawaii Revised Statutes (HRS) section 235-55.6. That section creates a refundable income tax credit for expenses for household and dependent care necessary for gainful employment and would apply to expenses paid for child care. If the Committee wishes to amend or expand the State's existing tax incentives for child care, it may do so by amending HRS section 235-55.6, rather than creating a new tax credit.

Thank you for the opportunity to provide comments.

# TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Tax Credit for Child Care Costs

BILL NUMBER: HB 1718, HD-1

INTRODUCED BY: House Committee on Health & Human Services

EXECUTIVE SUMMARY: Provides an unspecified credit for child care costs for children up to four years of age. The proposed credit may duplicate ground already covered by the existing credit for household and dependent care services necessary for gainful employment in section 235-55.6, HRS.

BRIEF SUMMARY: Adds a new section to Chapter 235, HRS, that would provide a nonrefundable credit in an unspecified percentage of qualifying costs, with an unspecified limit. Qualifying costs are defined as those paid after December 31, 2018, for child care for an eligible child at a child care facility; except that "qualifying costs" shall not include any cost of attendance at a public or private preschool or elementary school.

EFFECTIVE DATE: July 1, 3000; applies to taxable years beginning after December 31, 2018.

STAFF COMMENTS: Lawmakers need to keep in mind two things. First, the tax system is the device that raises the money that they, lawmakers, like to spend. Using the tax system to shape social policy merely throws the revenue raising system out of whack, making the system less than reliable as there is no way to determine how many taxpayers will avail themselves of the credit and in what amount. The second point to remember about tax credits is that they are nothing more than the expenditure of public dollars, but out the back door. If, in fact, these dollars were subject to the appropriation process, would taxpayers be as generous about the expenditure of these funds when our kids are roasting in the public school classrooms, there isn't enough money for social service programs, or our state hospitals are on the verge of collapse?

If lawmakers want to help struggling families, then a direct appropriation would be more accountable and transparent.

Furthermore, the additional credit would require changes to tax forms and instructions, reprogramming, staff training, and other costs that could be massive in amount. A direct appropriation or adding on to an existing program may be a far less costly method to accomplish the same thing.

Finally, lawmakers should note that the subject of the proposed credit may be covered by the existing credit for expenses for household and dependent care services necessary for gainful employment in section 235-55.6, HRS.

Digested Date: 1/23/18



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Aloha Chair Green, Vice Chair Chang and members of the Senate Committee on Human Services,

On behalf of the nearly 600 registered members of the Young Progressives Demanding Action (YPDA) Hawai'i, I would like to express **strong support** for HB1718 HD1.

Like everything else in Hawai'i, the cost of childcare can be a serious financial burden on working families. And in Hawai'i, the majority of families are working families. Nearly half of Hawai'i's families with children cannot afford basic needs. The number of children whose parents both work, or whose only parent works is nearly 66 percent of all children in the U.S. In Hawai'i, 7 in 10 children live in a household where both parents work, and over a quarter of children live in households headed by a single parent. Hawai'i desperately needs strong programs to shore up the gaps in protection for working people. Allowing these families to recoup some of the costs associated with childcare will be another way that we can expand access to economic and social opportunity, which is the only way we will end poverty and houselessness and begin to build a Hawai'i for all our people.

Mahalo,

Will Caron  
Social Justice Action Committee Chair

**HB-1718-HD-1**

Submitted on: 3/11/2018 2:37:25 PM

Testimony for HMS on 3/12/2018 2:45:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Melodie Aduja	Testifying for OCC Legislative Priorities Committee, Democratic Party of Hawai'i	Support	No

Comments:



**Chair Green**  
**Vice Chair Chang**  
**Senate Committee on Human Services**

**Monday, March 12, 2018**  
**2:45 PM**

**TESTIMONY IN STRONG SUPPORT OF HB1718 HD1 RELATING TO TAXATION**

Aloha Chair Green, Vice Chair Chang, Members of the Senate Committee on Human Services,

My name is Jun Shin. I am a freshman at the University of Hawaii at Manoa, and I serve as a board member at-large for Young Progressives Demanding Action - Hawaii. I am testifying in **strong support of HB1718 HD1 relating to taxation.**

The cost of living in Hawaii is a very serious problem that is acknowledged by all those who choose to live in paradise. According to the Massachusetts Institute of Technology Living Wage calculator, for one adult living in the State of Hawaii, the living wage is \$15.39 and with the minimum wage currently at \$10.10 it is already difficult to live here for the average working class adult. Looking even deeper, for a single working Mom/Dad with one child, the living wage needed is \$27.18 and for two children, \$29.45 and it only gets higher.

This is why giving tax credits for taxpayers to use to take care of childcare costs are very important. It would be investing in our working class families and unloading that burden from working class parents, potentially leaving them some extra money that they can use to pay for groceries or car payments, or saving up money for their child's college funds. Having that extra money would allow for working parents to take care of their families necessities and have a chance to relax a little. Really, what this measure does is gives working families' economic breathing space that they desperately need. In order to continue the fight for a Hawaii that everyone can live in and enjoy, I request that the **committee please pass HB1718 HD1.**

Thank you for this opportunity to testify,

Jun Shin,  
Board Member At-Large  
Young Progressives Demanding Action – Hawaii  
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