

LATE

HB-1718-SD-1

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Submitted By	Organization	Testifier Position	Present at Hearing
Khara Jabola-Carolus	Testifying for Hawai'i State Commission on the Status of Women	Support	No

Comments:

April 3, 2018



TO: Senator Donovan M. Dela Cruz, Chair
Senator Gilbert S.C. Keith-Agaran, Vice Chair
Senate Committee on Ways and Means

FROM: Park, Mei Linn
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SUBJECT: Comments for HB1718 HD1 SD1 Relating to Taxation
Hawaii State Capitol, Room 211, April 4, 2018, 10:30am

Honorable Chair Dela Cruz, Vice Chair Keith-Agaran and members of the Senate Committee on Ways and Means, I am Mei Linn Park, a resident of Mililani, O‘ahu, a graduate student at the University of Hawai‘i Mānoa Myron B. Thompson School of Social Work, and a single parent of a four-year-old child. I wish to submit testimony for comments of HB1718 HD1 SD1 Relating to Taxation, which would provide a nonrefundable tax credit for eligible taxpayers for child care costs for children up to four years of age.

I support this bill because the measure aims to provide relief for working families with the spiraling costs of child care.

- Child care is important for our keiki and society.
 - By supporting development when children are very young, early childhood development and education programs can complement parental investments and produce large benefits to children, parents, and society.
 - Research shows that the quality of child care is important to the cognitive, language and social development of young children, with consistent and emotionally supportive care being hugely beneficial to children and families. Some of these benefits, such as increases in parental earnings and employment, are realized immediately, while other benefits, such as greater educational attainment and earnings, are realized later when children reach adulthood.
- Child care costs often consume a significant portion of household earnings and are a significant financial burden on working families, especially for lower-income and single parents.
 - In 2015, there were 123,162 families with children in Hawaii, 17,323 of which were living in poverty.
 - According to PATCH, the statewide average monthly full-time rates for child (ages 0-15 years) care ranges from \$646 to \$675 for child care homes and \$515 to \$1117 for child care centers. (Source: <http://patchhawaii.org/wp-content/uploads/2017/02/Data-for-Web-Ave-FT-Rates-HI-Child-Care-6.2016-PATCH.pdf>)
- Many argue that child care should be subsidized to enhance economic efficiency and growth because — especially for low- and moderate-income families — affordable, quality child care increases labor force participation among parents and has positive,

long-term effects on the child's productivity and earnings. High child care expenses make it more difficult for parents, especially mothers with younger children, to work. The effects on female labor force participation can be substantial. The Council of Economic Advisers (2014) concluded that a 10 percent reduction in child care costs increases maternal employment by 0.5 to 4.0 percent. (Source: https://obamawhitehouse.archives.gov/sites/default/files/docs/early_childhood_report_update_final_non-embargo.pdf)

While I strongly support measures to offset child care costs, I would advise the committee to thoroughly evaluate the impacts of this tax credit. With that in mind, I provide the following considerations:

1. 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.
2. As the bill currently reads, this is a "nonrefundable" credit. I would suggest that the credit be changed to be fully refundable, in order to allow very low-income families to also benefit from this credit. While most low-income families do not have significant income tax liabilities, they pay almost 10 times as much of their income to the General Excise Tax as do the highest earners in our state. These low-wage workers are the least able to afford the costs of child care, so it makes sense to provide them with the financial support of a refundable credit.
3. This tax credit does not provide equitable treatment and relief to those who do not have children in child care homes/ centers such as stay-at-home parents.
4. As the bill currently reads, this tax credit is eligible to those with child care costs for children up to four years of age. In accordance with section 302A-411, HRS, children are allowed to enter kindergarten only after turning five, so it is possible to have children in child care until close to six years old. I would suggest extending the age in this measure to include those who must remain in child care centers until kindergarten entry.

Mahalo for your consideration and for the opportunity to provide testimony.

Respectfully submitted by,
Mei Linn Park