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To: The Honorable Sylvia Luke, Chair  
and Members of the House Committee on Finance

Date: Tuesday, February 27, 2018  
Time: 12:00 P.M.  
Place: Conference Room 308, State Capitol

From: Linda Chu Takayama, Director  
Department of Taxation

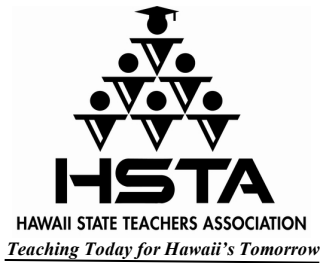
Re: H.B. 1720, H.D. 1, Relating to Taxation

The Department of Taxation (Department) offers the following comments on H.B. 1720, H.D. 1, for the Committee's consideration.

H.B. 1720, H.D. 1, creates a deduction from gross income for amounts paid by teachers for professional development courses and books, computer equipment and other supplies used in the classroom. H.B. 1720, H.D. 1 has a defective effective date of July 1, 2050, but otherwise applies to taxable years beginning after December 31, 2017.

The Department notes that the Committee on Education made amendments to this measure at the Department's suggestion. The Department appreciates that its comments were taken into consideration and is able to administer this new tax deduction for taxable years beginning after December 31, 2017.

Thank you for the opportunity to provide comments.



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TESTIMONY BEFORE THE HOUSE COMMITTEE ON  
FINANCE

RE: HB 1720, HD 1 - RELATING TO TAXATION

TUESDAY, FEBRUARY 27, 2018

COREY ROSENLEE, PRESIDENT  
HAWAII STATE TEACHERS ASSOCIATION

Chair Luke and Members of the Committee:

The Hawaii State Teachers Association **supports HB 1720, HD 1**, relating to taxation.

If passed, this bill will allow teachers to deduct a state income tax credit for classroom expenses and educational travel costs paid by a teacher during a taxable year. In short, this will offset the cost of supplies purchased by teachers using personal funds, expenses that are beyond what is allocated in academic and financial plans and that far exceed the \$250 federal educator expense deduction.

With the nation's lowest cost of living adjusted salaries, increased healthcare costs, and the elimination of \$1,690 in special education supply funds in 2011, teachers have to dig deep into their pockets to deliver their lessons. In the case of classroom supplies, it's true that teachers "do it for the kids," purchasing materials out of their own paychecks. Waiting for departmental or purchase order approval would often disrupt planned curricula and, in turn, student learning. Teachers won't abide that.

Previous HSTA surveys have found that a jarring 47 percent of teachers are spending between \$250 and \$500 per year on materials, with many spending \$1,000 or more. That's \$250 to \$1,000 that would be spent on family needs, food, bills, and other personal expenses in a fully-funded school system. Notably, most teachers do not earn enough to claim the benefits of tax itemization—they cannot, for example, take mortgage deductions for homes that they cannot afford to buy.

Teachers should be repaid for personally purchasing school supplies. Accordingly, the Hawaii State Teachers Association asks your committee to **support** this bill.

# TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Deduction for teacher supplies

BILL NUMBER: HB 1720, HD-1

INTRODUCED BY: House Committee on Education

EXECUTIVE SUMMARY: Allows for a state income tax deduction for teacher supplies purchased related to the classroom.

SYNOPSIS: Adds a new section to chapter 235, HRS, to allow a deduction for amounts paid by a teacher for (1) professional development courses related to the curriculum in which the teacher provides instruction; and (2) books, supplies, computer equipment, software, and supplementary materials used by the teacher in the classroom. Limits the deduction at \$\_\_\_\_\_.

Defines “teacher” as an individual taxpayer who is employed in the public or private educational system for students in grades kindergarten through twelve and who is engaged primarily in teaching or instruction of students or in related activities that are centered on students and who is in close and continuous contact with students. "Teacher" shall include but not be limited to classroom teachers, school librarians, counselors, registrars, and special education teachers.

EFFECTIVE DATE: July 1, 2050; applies to taxable years beginning after December 31, 2017.

STAFF COMMENTS: This measure proposes a credit for 100% of certain out-of-pocket expenses incurred by a teacher, up to \$\_\_\_\_ per taxpayer. The credit proposed in this measure would be granted without regard to a taxpayer’s need for tax relief. It should be remembered that using the tax system to achieve social goals, as this measure proposes, is an inefficient means of accomplishing such goals.

Most of us have heard stories about teachers in the public school system who have been forced to use their own funds for classroom materials, and we know that isn’t right. But the problem is with the bureaucratic system of requesting the funds and having the system take as much as six months to approve the money. The money has been appropriated, and it is the system that is frustrating. Thus, instead of using the tax system to “compensate” these teachers, first consideration should be given to “fixing the system.”

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

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

Digested 2/24/2018



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

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## **TESTIMONY FOR HOUSE BILL 1720, HOUSE DRAFT 1, RELATING TO TAXATION**

**House Committee on Finance  
Hon. Sylvia Luke, Chair  
Hon. Ty J.K. Cullen, Vice Chair**

**Tuesday, February 27, 2018, 12:00 PM  
State Capitol, Conference Room 308**

Honorable Chair Luke and committee members:

I am Kris Coffield, representing IMUAlliance, a nonpartisan political advocacy organization that currently boasts over 400 members. On behalf of our members, we offer this testimony in strong support of House Bill 1720, HD 1, relating to taxation.

According to the National School Supply and Equipment Association, public school teachers annually spend \$1.6 billion of their discretionary income on supplementary school supplies and instructional materials. On average, teachers surveyed spent a total of \$485 on school supplies and instructional materials, with more than 10 percent spending over \$1,000 of personal income each school year to educate their keiki.

That trend is, if anything, worse in Hawai'i, which has consistently ranks at the bottom in national teacher compensation studies. Pay cuts, rising health care costs, adjusted insurance co-pays, and the loss of the state's \$1,690-per-special-education-teacher classroom supply fund have all aggravated the financial burden borne by teachers' pocketbooks. In a recent survey conducted by HSTA, 47 percent of respondents cited personal expenditures between \$250 and \$500 each year on classroom supplies, with many claiming expenditures in excess of \$1,000. Lawmakers must take action to lighten their financial load.

Budget cuts and an overemphasis on standardized testing have crippled the DOE, in recent years, leading to reconsideration of whether or not to continue successful learning programs. Unfortunately, when our state's education budget fails to keep pace with inflation, successful learning centers and categorical programming get placed on the chopping block, while the DOE's priorities shift from classroom support to programmatic savings. Put simply, when we fail to adequately fund our schools, the DOE must spend more time accounting for basic, programs,

crowding out concerns about the efficient allocation of funds for individual teacher needs, like classroom supplies.

Additionally, ensuring that educators have more money in their pocketbooks effectively increases their purchasing power, puts money back into the local economy, and incentivizes the teaching profession at a time when our state's high cost-of-living and low adjusted-average income compel many would-be teachers to choose more highly compensated professions or, even worse, leave the state altogether. Today, approximately half of Hawai'i's teachers leave our state's classrooms every five years. If policymakers are truly interested in enhancing the DOE's ability to recruit quality teachers into our schools, providing fiscal incentives that offset our state's exorbitant cost-of-living is a worthy policy to pursue, carrying long-term benefits that will outweigh its immediate costs.

Mahalo for the opportunity to testify in support of this bill.

Sincerely,  
Kris Coffield  
*Executive Director*  
IMUAlliance

**HB-1720-HD-1**

Submitted on: 2/25/2018 2:20:54 PM

Testimony for FIN on 2/27/2018 12:00:00 PM

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

Comments:

**PRESENTATION OF THE  
OAHU COUNTY COMMITTEE ON LEGISLATIVE PRIORITIES**

**DEMOCRATIC PARTY OF HAWAII'**

TO THE COMMITTEE ON FINANCE

THE HOUSE OF REPRESENTATIVES

TWENTY-NINTH LEGISLATURE

REGULAR SESSION OF 2018

Tuesday, February 27, 2018

12:00 P.M.

Hawaii State Capitol, Conference Room 308

RE: Testimony in Support of **HB1720 HD1**, RELATING TO TAXATION

To the Honorable Sylvia Luke, Chair; the Honorable Ty J.K. Cullen, Vice-Chair, and Members of the Committee on Finance:

Good afternoon, my name is Melodie Aduja. I serve as Chair of the Oahu County Committee ("OCC") Legislative Priorities Committee of the Democratic Party of Hawaii. Thank you for the opportunity to provide written testimony on House Bill No. **1720 HD1** relating to the Teachers; Income Tax; Deduction; Classroom Supplies; and Professional Development.

The OCC Legislative Priorities Committee is in favor of House Bill No. **1720 HD1** and support its passage.



House Bill No. **1720 HD1**, is in accord with the Platform of the Democratic Party of Hawai'i ("DPH"), 2016, as it allows for a state income tax deduction for teacher supplies purchased for use in the classroom and for professional development courses; provided that the teacher obtains a written certification from the Department of Education.

Specifically, the DPH Platform states, "Education shall be respected as a valuable resource and those pursuing a profession in education shall be compensated with a competitive wage based on national standards while taking into consideration the state's cost of living. We support hiring the most qualified individuals to be teachers and administrators for our educational system. We also support and value the universities and colleges that prepare educators and provide advanced degrees." (Platform of the DPH, P. 6, Lines 304-308 (2016)).

Given that House Bill No. **1720 HD1** allows for a state income tax deduction for teacher supplies purchased for use in the classroom and for professional development courses; provided that the teacher obtains a written certification from the Department of Education, it is the position of the OCC Legislative Priorities Committee to support this measure.

Thank you very much for your kind consideration.

Sincerely yours,

/s/ Melodie Aduja

Melodie Aduja, Chair, OCC Legislative Priorities Committee

Email: [legislativepriorities@gmail.com](mailto:legislativepriorities@gmail.com), Text/Tel.: (808) 258-8889

**HB-1720-HD-1**

Submitted on: 2/26/2018 8:01:36 AM

Testimony for FIN on 2/27/2018 12:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Ray Oda	Individual	Support	No

Comments: