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LATE

To: The Honorable Donovan M. Dela Cruz, Chair
And Members of the Senate Committee on Ways and Means

Date: Wednesday, February 21, 2018
Time: 10:08 A.M.
Place: Conference Room 211, State Capitol

From: Linda Chu Takayama, Director
Department of Taxation

Re: S.B. 2905, S.D. 1, Relating to On-Site Early Childhood Facilities

The Department of Taxation (Department) offers the following comments on S.B. 2905, S.D. 1, for your consideration.

S.B. 2905, S.D. 1, creates a refundable income tax credit for employers that operate an on-site early childhood facility. The credit is equal to 25% of qualified costs incurred operating the facility, including acquiring, constructing, and establishing the facility. The bill requires certification of facilities by the Department of Human Services (DHS). The credit is to be claimed against the taxpayer's net income tax liability, and any excess over payments due shall be refunded to the taxpayer. The credit has an aggregate cap of an unspecified amount. The credit is effective for taxable years beginning, and for qualified costs incurred, after December 31, 2018.

The Department first notes that Standing Committee Report No. 2502 states that the measure was amended by inserting a blank aggregate cap for the credit. However, as currently written, subsection (f)(5) may not be sufficient to impose an aggregate cap on the credit. In other credits that have an aggregate cap, such as the Important Agricultural Land Tax Credit, the aggregate cap is enforced through the certification process. If the Committee wishes to have an aggregate cap, the Department suggests similar language to HRS section 235-110.93(h).

Finally, the Department notes that it is able to implement this new tax credit for taxable years beginning after December 31, 2018 as currently written in this measure.

Thank you for the opportunity to provide comments.

February 21, 2018

LATE

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

From: Mandy Finlay, Director of Public Policy
Hawaii Children's Action Network

Re: **SB 2905, SD1 – Relating to On-Site Early Childhood Facilities – SUPPORT**
Hawaii State Capitol, Room 211, February 21, 2018, 10:08 AM

On behalf of Hawaii Children's Action Network (HCAN), we are writing to support SB 2905, SD1, which would establish an income tax credit for employers who create on-site early childhood facilities.

S.B. 2905 is intended to increase access to childcare for working families by providing a tax incentive to employers who provided on-site childcare facilities. There is a serious shortage of early childhood seats in Hawaii, especially in rural areas and on neighbor islands. In 2017, the University of Hawaii Center on the Family and Hawai'i Children's Action Network released the Hawai'i Early Learning Needs Assessment.¹ The purpose of the study was to inform strategic planning for early childhood development, care, and learning programs in the state. The study found that overall, there are only enough DHS-regulated childcare seats to care for one out of every four children under the age of 6. The numbers are even worse for infant-toddler care; for every thirty-seven (37) children under age 3, there is only one center-based childcare spot. The islands of Kauai, Molokai, and Lanai have no infant-toddler centers. This measure will increase access to quality childcare and promote more family-friendly work environments.

For the above reasons, HCAN respectfully requests the Committees to support this measure.

HCAN is committed to building a unified voice advocating for Hawaii's children by improving their safety, health, and education.

¹ Debaryshe, B. D., Stern, I., Bellasario, C., Zysman, D., & Bird, O. (2017). *Early childhood programs in Hawaii*. Honolulu: University of Hawaii Center on the Family.