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## A BILL FOR AN ACT

RELATING TO ON-SITE CHILDHOOD FACILITIES.

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

1           SECTION 1. The legislature finds that Hawaii has one of  
2 the highest costs for child care in the nation. The annual  
3 tuition cost of child care facilities in Hawaii exceeds the  
4 maximum annual in-state tuition at the University of Hawaii at  
5 Manoa. In Hawaii, forty-three per cent of a single parent's  
6 income is dedicated to care for one child. For two children, it  
7 is seventy-one per cent. Married parents of two children living  
8 at the poverty line pay seventy-eight per cent of their income  
9 for center-based child care. Not surprisingly, in many families,  
10 one parent will leave the workforce to care for their children  
11 on a full-time basis instead of enrolling the children in child  
12 care.

13           The legislature further finds that more of Hawaii's  
14 children are entering kindergarten without the physical,  
15 cognitive, linguistic, social, motor, and emotional skills  
16 necessary to prepare them for success in school life. The link  
17 between school readiness and success in school is indisputable.



1 According to kindergarten teachers within the department of  
2 education, many of the children who do not attend pre-  
3 kindergarten programs could be eighteen to twenty-four months  
4 behind developmentally than their peers who do attend preschool.

5 The legislature also finds that the creation of on-site  
6 early childhood facilities by employers addresses concerns of  
7 child care costs while also providing access to early childhood  
8 learning programs. According to a study in the Journal of  
9 Managerial Psychology, employers who create on-site early  
10 childhood facilities found lower absenteeism and higher  
11 productivity in their employees because parents feel at ease  
12 when they do not have to worry about their children.

13 The purpose of this Act is to establish an income tax  
14 credit for employers who create on-site early childhood  
15 facilities to increase access to high quality early childhood  
16 programs from child care to preschool and junior kindergarten,  
17 like the federal employer-provided child care credit stated in  
18 Internal Revenue Code §45F.

19 SECTION 2. Chapter 235, Hawaii Revised Statutes, is  
20 amended by adding a new section to be appropriately designated  
21 and to read as follows:



1 "§235- On-site early childhood facility tax credit. (a)

2 There shall be allowed to each taxpayer subject to the taxes  
3 imposed by this chapter, an income tax credit that shall be  
4 deductible from the taxpayer's net income tax liability, if any,  
5 imposed by this chapter for the taxable year in which the credit  
6 is properly claimed.

7 In the case of a partnership, S corporation, estate, or  
8 trust, the tax credit allowable is for qualified costs incurred  
9 by the entity for the taxable year. The cost upon which the tax  
10 credit is computed shall be determined at the entity level.  
11 Distribution and share of credit shall be determined pursuant to  
12 §704(b) of the Internal Revenue Code.

13 (b) Every taxpayer claiming a tax credit under this  
14 section, no later than ninety days following the end of each  
15 taxable year in which the qualified costs were paid or incurred,  
16 shall submit a written, sworn statement to the department of  
17 human services, identifying:

- 18 (1) Qualified costs, if any, paid or incurred in the previous  
19 taxable year; and  
20 (2) The amount of tax credits claimed pursuant to this  
21 section, if any, in the previous taxable year.



- 1        (c) The department of human services shall:
- 2        (1) Maintain records of the names and addresses of the  
3        taxpayers claiming the credit under this section and  
4        the total amount of the qualified costs upon which the  
5        tax credit is based;
- 6        (2) Verify the amount of the qualified costs;
- 7        (3) Total all qualified costs that the department of human  
8        services certifies; and
- 9        (4) Provide a letter to the director of taxation  
10       specifying the amount of tax credit for each taxable  
11       year and cumulative amount of the tax credit for all  
12       years claimed.

13       Upon each determination made under this subsection, the  
14       department of human services shall issue a letter to the  
15       taxpayer verifying the information submitted to that department,  
16       including the amount of qualified costs and the credit amount  
17       qualified for in each taxable year a credit is claimed. The  
18       taxpayer shall file the letter from the department of human  
19       services with the taxpayer's tax return with the department of  
20       taxation. Notwithstanding the authority of the department of  
21       human services under this section, the director of taxation may



1 audit and adjust the tax credit amount to conform to the  
2 information filed by the taxpayer.

3 (d) The department of human services shall provide a  
4 certificate of approval to qualified on-site early childhood  
5 facilities implemented by taxpayers. In determining whether to  
6 grant approval to an on-site early childhood facility, the  
7 department of human services shall consider the following  
8 criteria:

9 (1) Whether the on-site early childhood facility provides  
10 early childhood programs from child care to preschool  
11 and junior kindergarten;

12 (2) Participation rate by employees;

13 (3) Quality of the early childhood programs being provided;  
14 and

15 (4) Whether the presence of an on-site early childhood  
16 facility promotes a healthy workplace environment.

17 The director of human services shall adopt rules pursuant to  
18 chapter 91 to implement the certification requirements under  
19 this section.



1       (e) The director of human services, in consultation with  
2 the director of taxation, shall create a form that indicates a  
3 taxpayer is using an on-site early childhood facility.

4       (f) The tax credit shall be equal to twenty-five per cent  
5 of the taxpayer's qualified costs, subject to the following:

6       (1) The total credit allowed for a single taxpayer in any  
7 taxable year shall not exceed \$ \_\_\_\_\_ ; and

8       (2) The total amount of tax credits allowed under this  
9 section shall not exceed \$ \_\_\_\_\_ for all taxpayers in  
10 any fiscal year. If the total amount of credits  
11 claimed under this section by all taxpayers in any  
12 fiscal year exceeds \$ \_\_\_\_\_ , the department of human  
13 services shall immediately discontinue issuing letters  
14 under subsection (c) and notify the department of  
15 taxation. In no instance shall the department of  
16 human services issue letters under subsection (c) for  
17 a total amount of credits exceeding \$ \_\_\_\_\_ per  
18 fiscal year. To comply with this restriction, the  
19 department of human services shall issue letters under  
20 subsection (c) for credits on a first come, first  
21 served basis. Any taxpayer that incurs qualified



1 costs but is not issued a letter under subsection (c)  
2 by the department of human services in a fiscal year  
3 due to the \$ \_\_\_\_\_ cap of having been exceeded for  
4 that fiscal year, shall be eligible for issuance of  
5 the letter under subsection (c) based on those  
6 qualified costs in the subsequent year and those  
7 qualified costs shall receive priority for a letter  
8 under subsection (c) over qualified costs incurred in  
9 that year. The department of taxation shall not allow  
10 the aggregate amount of credits claimed to exceed  
11 \$ \_\_\_\_\_ per fiscal year.

- 12 (g) Any credit under this section shall be recaptured if:  
13 (1) The on-site early childhood facility fails to operate  
14 for a minimum of ten years; provided that the credit  
15 shall not be subject to recapture if the department of  
16 human services certifies that the employer ceased  
17 operating the facility for reasonable cause, including  
18 but not limited to going out of business, being forced  
19 to close the facility due to the natural disaster or  
20 other unforeseeable circumstances, and closing the  
21 facility temporarily with the intention of reopening

1           it for reasons such as facility refurbishment or  
2           improvement; or

3           (2) The credit was claimed for acquiring, constructing, or  
4           establishing a facility that is not certified under  
5           subsection (d) within one hundred eighty days of the  
6           completion of its acquisition, construction, or  
7           establishment.

8           The recapture shall be equal to one hundred per cent of the  
9           amount of the total tax credit claimed under this section in the  
10          preceding ten taxable years and shall be added to the taxpayer's  
11          tax liability for the taxable year in which the recapture occurs  
12          pursuant to this subsection.

13          (h) If the tax credit under this section exceeds the  
14          taxpayer's net income tax liability, the excess of credits over  
15          payments due shall be refunded to the taxpayer; provided that no  
16          refunds or payments on account of the tax credits allowed by  
17          this section shall be made for amounts less than \$1.

18          (i) Every claim, including amended claims, for the tax  
19          credit under this section shall be filed on or before the end of  
20          the twelfth month following the close of the taxable year for  
21          which the tax credit may be claimed. Failure to comply with the





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

3 (j) No taxpayer shall claim any other credit under this  
4 chapter for the same qualified costs used to properly claim a  
5 tax credit under this section for the taxable year.

6 (k) The director of taxation:

7 (1) Shall prepare any forms that may be necessary to claim  
8 a tax credit under this section;

9 (2) May require the taxpayer to furnish reasonable  
10 information to ascertain the validity of the claim for  
11 the tax credit made under this section; and

12 (3) May adopt rules pursuant to chapter 91 to effectuate  
13 the purposes of this section.

14 (1) This section shall not apply to any amount paid or  
15 incurred before January 1, 2020.

16 (m) For the purposes of this section:

17 "Qualified costs" means the expenses incurred in acquiring,  
18 constructing, and establishing a qualified on-site early  
19 childhood facility and the associated operating costs; provided  
20 that the qualified costs shall not include costs paid or  
21 incurred for insurance.



1        "Qualified on-site early childhood facility" means an on-  
2 site early childhood facility offered by an employer to all  
3 employees that:

4        (1) Is licensed and approved by the department of human  
5                services; and

6        (2) Receives an accreditation from a recognized national  
7                early childhood accredited agency within two years of  
8                initial operation."

9        SECTION 3. There is established one full-time equivalent  
10 (1.0 FTE) on-site early childhood facility coordinator position  
11 in the executive office on early learning to assist with  
12 licensure and accreditation requirements, works with providers,  
13 and ensure appropriate facility design of on-site early  
14 childhood facilities established by employers in the State.

15        SECTION 4. There is appropriated out of the general  
16 revenues of the State of Hawaii the sum of \$\_\_\_\_\_ or so much  
17 thereof as may be necessary for fiscal year 2019-2020 for one  
18 full-time equivalent (1.0 FTE) on-site early childhood facility  
19 coordinator position in the executive office on early learning  
20 to assist with licensure and accreditation requirements, work  
21 with providers, and ensure appropriate facility design of on-



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1 site early childhood facilities established by employers in the  
2 State.

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

5 SECTION 5. New statutory material is underscored.

6 SECTION 6. This Act shall take effect on July 1, 2019;  
7 provided that section 2 shall apply to taxable years beginning  
8 after December 31, 2019.

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# H.B. NO. 1149

**Report Title:**

On-site Early Childhood Facilities; Income Tax Credit;  
Appropriation

**Description:**

Establishes an income tax credit for employers who create on-site early childhood facilities. Establishes and appropriates funds for one on-site Early Childhood Facility Coordinator position.

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

