



STATE OF HAWAII  
DEPARTMENT OF EDUCATION  
P.O. BOX 2360  
HONOLULU, HAWAII 96804

**Date:** 01/31/2019

**Time:** 02:15 PM

**Location:** 309

**Committee:** House Lower & Higher  
Education

**Department:** Education

**Person Testifying:** Dr. Christina M. Kishimoto, Superintendent of Education

**Title of Bill:** HB 0891 RELATING TO TAXATION.

**Purpose of Bill:** Establishes a state income tax credit for certain expenses paid or incurred by school teachers, special education teachers, school librarians, counselors, and registrars.

**Department's Position:**

The Department of Education (Department) supports HB 891 as a means to provide all pre-kindergarten through twelfth grade teachers at either public or private schools with resources to support their classrooms.

HB 891 would provide a non-refundable tax credit up to \$500 per taxable year for expenses incurred by teachers for books, supplies, computer equipment, supplementary materials used in the classroom, and educational trip related expenses.

Efforts to use the state tax code to offset expenses paid by teachers to support their classrooms would complement the Department's efforts to increase teacher recruitment and retention through various initiatives, and get more resources into the classroom.

The Department respectfully defers to the Department of Taxation on any implementation concerns.

Thank you for the opportunity to submit testimony on this measure.

The Hawaii State Department of Education seeks to advance the goals of the Strategic Plan which is focused on student success, staff success, and successful systems of support. This is achieved through targeted work around three impact strategies: school design, student voice, and teacher collaboration. Detailed information is available at [www.hawaiipublicschools.org](http://www.hawaiipublicschools.org).



**STATE OF HAWAII**  
**DEPARTMENT OF TAXATION**  
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To: The Honorable Justin H. Woodson, Chair  
and Members of the House Committee on Lower & Higher Education

Date: Thursday, January 31, 2019  
Time: 2:15 P.M.  
Place: Conference Room 309, State Capitol

From: Linda Chu Takayama, Director  
Department of Taxation

Re: H.B. 891, Relating to Taxation

The Department of Taxation (Department) offers the following comments on H.B. 891 for the Committee's consideration.

H.B. 891 creates a nonrefundable income tax credit for qualifying taxpayers equal to the amount they expend on any of the following:

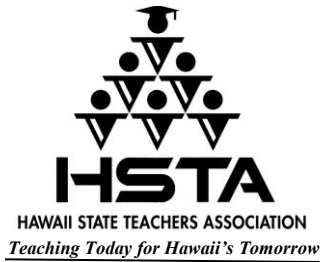
- Books;
- Supplies, other than athletic supplies;
- Computer equipment, including software and services;
- Supplementary materials used in the classroom; and
- Professional development courses related to the curriculum in which the taxpayer provides instruction.

The amount of the credit is capped at \$500 per year. Qualifying taxpayers are individuals employed by the Department of Education, a charter school, or a private school in the State who are engaged primarily in the teaching or instruction of students in any grade from kindergarten through twelfth grade or in related activities centered on students, and who are in close and continuous contact with students. H.B. 891 applies to taxable years beginning after December 31, 2018.

The Department appreciates the inclusion of subsection (f), which prevents taxpayers from using the same expenses for multiple tax benefits.

The Department respectfully requests this measure be amended to apply to taxable years beginning after December 31, 2019.

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



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TESTIMONY BEFORE THE HOUSE COMMITTEE ON  
LOWER AND HIGHER EDUCATION

RE: HB 891 - RELATING TO TAXATION

THURSDAY, JANUARY 31, 2019

COREY ROSENLEE, PRESIDENT  
HAWAII STATE TEACHERS ASSOCIATION

Chair Woodson and Members of the Committee:

The Hawaii State Teachers Association **supports HB 891**, relating to taxation.

If passed, this bill will allow teachers to deduct a state income tax credit up to \$500 for classroom expenses paid by a teacher during a taxable year. In short, this will offset the cost, by teachers using personal funds, for the purchase of classroom supplies as well as the cost of professional development courses that relate to the curriculum in which they provide instruction. These expenses are beyond what is allocated in academic and financial plans and 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, Tax Credit for Certain Expenses Paid by Teachers

BILL NUMBER: HB 891

INTRODUCED BY: OKIMOTO, DECOITE, ELI, HASHIMOTO, JOHANSON, KITAGAWA, D. KOBAYASHI, OHNO, QUINLAN, SAY, TARNAS, TOKIOKA, WILDBERGER, WOODSON

EXECUTIVE SUMMARY: Allow teachers to claim a nonrefundable tax credit of up to \$500 for “qualifying expenses” which shall be deductible from the taxpayer’s income tax liability. Instead of using the tax system to “compensate” these teachers, first consideration should be given to “fixing the system” by giving teachers purchasing cards for the classroom supplies budget under EDN 100. Should lawmakers adopt the proposed credit, then the federal deduction for the same expenses should be made inoperative to prevent a double benefit.

SYNOPSIS: Adds a new section to HRS chapter 235 to allow qualifying taxpayers to claim a tax credit of up to \$500 for “qualifying expenses” which shall be deductible from the taxpayer’s income tax liability for the taxable year the credit is properly claimed.

Provides that a qualifying taxpayer claiming this credit shall obtain a written certificate from the school or schools with whom the taxpayer is employed that verifies the amount of the qualifying expenses paid or incurred by the qualifying taxpayer, and employment of the qualifying taxpayer during the period when the materials or services purchased were used or applied.

Defines “qualifying taxpayer” as a school teacher, special education teacher, school librarian, or counselor employed by the department of education, a charter school, or a private school in Hawaii that instructs students between pre-kindergarten and twelfth grade.

Defines “qualifying expenses” as expenses paid or incurred by a qualified taxpayer who incurs the expenses in connection with books, supplies (other than athletic supplies for courses of instruction in health or physical education), computer equipment (including related software and services), supplementary materials used in the classroom, and professional development courses related to the curriculum in which the taxpayer provides instruction.

Specifies that no other tax credit or deduction may be claimed for Hawaii income tax purposes for the certain expenses used to claim this tax credit for the taxable year.

The credit is not refundable but may be carried forward until exhausted.

Claims for the credit, including any amended claims, must be filed on or before the end of the 12th month following the close of the taxable year. Failure to do so will result in waiver of the credit.

Requires the director of taxation to prepare any necessary forms. Allows the department to require the taxpayer to furnish reasonable substantiation and adopt necessary rules pursuant to HRS chapter 91 to carry out this section.

EFFECTIVE DATE: This Act, upon its approval, shall apply to taxable years beginning after December 31, 2018.

STAFF COMMENTS: This measure proposes a tax credit of \$500 for 100% of certain out-of-pocket expenses incurred by a teacher. 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.

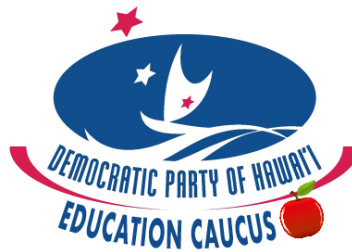
Most of us have heard stories about teachers in the public school system who have been forced to use their own funds for classroom materials, and we know that isn't right. But the problem is with the bureaucratic system of requesting the funds and having the system take as much as six months to approve 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.

Other technical considerations that lawmakers should consider if the bill is to go forward are:

- The definition of qualifying taxpayer in the bill has no threshold, so someone working as a teacher for one hour would qualify. Consider a definition like Internal Revenue Code section 62(d)(1)(A), which states:  
the term "eligible educator" means, with respect to any taxable year, an individual who is a kindergarten through grade 12 teacher, instructor, counselor, principal, or aide in a school for at least 900 hours during a school year.
- There appears to be no requirement that the expense be unreimbursed. To prevent unintended benefit there should be recapture consequences if credited amounts are reimbursed.



## HOUSE BILL 891, RELATING TO TAXATION

JANUARY 31, 2019 · HOUSE EDUCATION  
COMMITTEE · CHAIR REP. JUSTIN WOODSON

**POSITION:** Support.

**RATIONALE:** The Democratic Party of Hawai'i Education Caucus supports HB 891, relating to taxation, which establishes a state income tax credit for certain expenses paid or incurred by school teachers, special education teachers, school librarians, counselors, and registrars.

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 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 modestly offset our state's exorbitant cost-of-living for goods that enhance the learning growth of our keiki is a worthy policy to pursue.