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# A BILL FOR AN ACT

RELATING TO ON-SITE EARLY CHILDHOOD FACILITIES.

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

1           SECTION 1. The legislature finds that the cost of child  
2 care in Hawaii is among the highest in the nation. The annual  
3 cost of child care in the State can exceed the annual in-state  
4 tuition at the University of Hawaii at Manoa. In many cases,  
5 families are choosing to have one parent leave the workforce  
6 instead of paying for child care because the cost can equal what  
7 one full-time working parent would make in a year after taxes.

8           The legislature further finds that more of Hawaii's  
9 children are entering kindergarten without the physical,  
10 cognitive, linguistic, social, and emotional skills necessary to  
11 prepare them for success in school life. The link between  
12 school readiness and success in school is indisputable.  
13 Kindergarten teachers within the department of education report  
14 that many of the children who do not attend pre-kindergarten  
15 programs are developmentally behind by eighteen to twenty-four  
16 months compared to their peers who attend preschool.



1 The legislature also finds that employers who create on-  
2 site early childhood facilities see greater employee retention  
3 and performance, lower absenteeism, and a more productive and  
4 positive workplace environment. On-site early childhood  
5 facilities at workplaces may help parents to address concerns of  
6 child care costs and provide more opportunities for access to  
7 early childhood learning programs.

8 The purpose of this Act is to expand child care options for  
9 parents and increase the number of high-quality early childhood  
10 programs by:

- 11 (1) Establishing an income tax credit for employers who  
12 create on-site early childhood facilities; and
- 13 (2) Establishing and appropriating funds for an on-site  
14 early childhood facility coordinator position.

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

18 "§235- On-site early childhood facility tax credit.

19 (a) There shall be allowed to each taxpayer subject to the  
20 taxes imposed by this chapter, an income tax credit that shall  
21 be deductible from the taxpayer's net income tax liability, if



1 any, imposed by this chapter for the taxable year in which the  
2 credit is properly claimed.

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

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

15 (1) Qualified costs, if any, paid or incurred in the  
16 previous taxable year; and

17 (2) The amount of tax credits claimed pursuant to this  
18 section, if any, in the previous taxable year.

19 (c) The department of taxation shall:

20 (1) Maintain records of the names and addresses of the  
21 taxpayers claiming the credit under this section and



1           the total amount of the qualified costs upon which the  
2           tax credit is based;

3           (2) Verify the amount of the qualified costs;

4           (3) Total all qualified costs that the department of  
5           taxation certifies; and

6           (4) Certify the amount of the tax credit for each taxable  
7           year and cumulative amount of the tax credit.

8           Upon each determination made under this subsection, the  
9           department of taxation shall issue a certificate to the taxpayer  
10          verifying the information submitted to that department,  
11          including the amount of qualified costs and the credit amount  
12          certified for each taxable year. The taxpayer shall file the  
13          certificate with the taxpayer's tax return with the department  
14          of taxation. The director of taxation may audit and adjust the  
15          tax credit amount to conform to the facts.

16          (d) The director of human services, in consultation with  
17          the director of taxation, shall create a form that indicates a  
18          taxpayer is using an on-site early childhood facility.

19          (e) The tax credit shall be equal to twenty-five per cent  
20          of the taxpayer's qualified costs; provided that:



- 1        (1) The total credit allowed for a taxpayer in any taxable  
2        year shall not exceed \$ \_\_\_\_\_ ; and
- 3        (2) The total amount of tax credits allowed under this  
4        section shall not exceed \$ \_\_\_\_\_ for all taxpayers  
5        in any taxable year. If the total amount of credits  
6        claimed under this section by all taxpayers in any  
7        taxable year exceeds \$ \_\_\_\_\_ , the credit shall be  
8        allowed to taxpayers based on a first come, first  
9        served basis. Any taxpayer who is not eligible to  
10       claim the credit due to the \$ \_\_\_\_\_ cap having  
11       been exceeded for that taxable year shall be eligible  
12       to claim the credit in the subsequent year and shall  
13       receive priority for the credit over taxpayers who  
14       receive certification in the subsequent taxable year.
- 15       (f) If the tax credit under this section exceeds the  
16       taxpayer's net income tax liability, the excess shall not be  
17       refunded to the taxpayer; provided that no payments of the tax  
18       credits allowed by this section shall be made for amounts less  
19       than \$1.



1       (g) Any credit under this section shall be recaptured  
2 following the close of the taxable year for which the credit is  
3 claimed if:

- 4       (1) The on-site early childhood facility fails to operate  
5 for a minimum of ten years; provided that the credit  
6 shall not be subject to recapture if the employer  
7 ceased operating the facility for reasonable cause,  
8 including, but not limited to, going out of business,  
9 being forced to close due to natural disaster or other  
10 unforeseeable circumstances, and closing the facility  
11 temporarily for reasons such as facility refurbishment  
12 or improvement with the intention of reopening it; or  
13       (2) The credit was claimed for acquiring, constructing, or  
14 establishing a facility that is not certified under  
15 subsection (d) within one hundred eighty days of the  
16 completion of its acquisition, construction, or  
17 establishment.

18       The recapture shall be equal to one hundred per cent of the  
19 amount of the total tax credit claimed under this section in the  
20 preceding ten taxable years and shall be added to the taxpayer's



1 tax liability for the taxable year in which the recapture occurs  
2 pursuant to this subsection.

3 (h) Every claim, including amended claims, for the tax  
4 credit under this section shall be filed on or before the end of  
5 the twelfth month following the close of the taxable year for  
6 which the tax credit may be claimed. Failure to comply with the  
7 foregoing provision shall constitute a waiver of the right to  
8 claim the credit.

9 (i) No taxpayer shall claim any other credit under this  
10 chapter for the same qualified costs used to properly claim a  
11 tax credit under this section for the taxable year.

12 (j) The director of taxation:

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

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

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

20 (k) This section shall not apply to any amount paid or  
21 incurred before January 1, 2021.



1        (1) For the purposes of this section:

2        "Qualified costs" means the expenses incurred in acquiring,  
3 constructing, and establishing a qualified on-site early  
4 childhood facility and the associated operating costs; provided  
5 that qualified costs shall not include costs paid or incurred  
6 for insurance.

7        "Qualified on-site early childhood facility" means an on-  
8 site early childhood facility, offered by an employer to all  
9 employees, that is:

10        (1) Licensed and approved by the department of human  
11        services; and

12        (2) Accredited by a recognized national early childhood  
13        accrediting agency within two years of initial  
14        operation."

15        SECTION 3. There is established one full-time equivalent  
16 (1.0 FTE) on-site early childhood facility coordinator position  
17 in the executive office on early learning to assist with  
18 licensure and accreditation requirements, work with providers,  
19 and ensure appropriate facility design of on-site early  
20 childhood facilities established by employers in the State.





1 SECTION 4. There is appropriated out of the general  
2 revenues of the State of Hawaii the sum of \$ or so  
3 much thereof as may be necessary for fiscal year 2020-2021 for  
4 one full-time equivalent (1.0 FTE) on-site early childhood  
5 facility coordinator position in the executive office on early  
6 learning to assist with licensure and accreditation  
7 requirements, work with providers, and ensure appropriate  
8 facility design of on-site early childhood facilities  
9 established by employers in the State.

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

12 SECTION 5. New statutory material is underscored.

13 SECTION 6. This Act shall take effect on July 1, 2051;  
14 provided that section 2 shall apply to taxable years beginning  
15 after December 31, 2020.



**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 1.0 FTE on-site early childhood facility coordinator position. Effective 7/1/2051. Applies to taxable years beginning after 12/31/2020. (HD1)

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