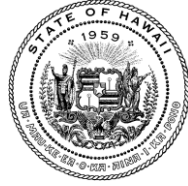


DAVID Y. IGE
GOVERNOR

JOSH GREEN M.D.
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
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RONA M. SUZUKI
DIRECTOR OF TAXATION

DAMIEN A. ELEFANTE
DEPUTY DIRECTOR

To: The Honorable Donovan M. Dela Cruz, Chair;
The Honorable Gilbert S.C. Keith-Agaran, Vice Chair;
and Members of the Senate Committee on Ways and Means

From: Rona M. Suzuki, Director
Department of Taxation

Re: **S.B. 2291, S.D. 1, Relating to Taxation**

Date: Tuesday, February 25, 2020

Time: 12:40 P.M.

Place: Conference Room 211, State Capitol

The Department of Taxation (Department) appreciates the intent of S.B. 2291, S.D. 1, and provides the following comments.

S.B. 2291, S.D. 1, creates a refundable income tax credit equal to an unspecified percentage of eligible business child care expenses during the taxable year. It is effective for taxable years beginning after December 31, 2020.

The Department notes that the Committee on Human Services made amendments to this measure at the Department's request. The Department appreciates the consideration of its testimony and notes that it can administer S.B. 2291, S.D. 1, with its current effective date.

Thank you for the opportunity to provide comments.



STATE OF HAWAII
Executive Office on Early Learning
2759 South King Street
HONOLULU, HAWAII 96826

February 23, 2020

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

FROM: Lauren Moriguchi, Director
Executive Office on Early Learning

SUBJECT: **Measure:** S.B. No. 2291, S.D. 1 – RELATING TO TAXATION
Hearing Date: February 25, 2020
Time: 12:40 p.m.
Location: Room 211

Bill Description: Establishes a refundable tax credit equal to an unspecified percentage of a taxpayer's eligible child care expenses. Defines eligible child care expenses to mean the sum of the taxpayer paid to a child care facility in the State to: (1) support the child care needs of the taxpayer's employees in the taxable year; and (2) purchase child care slots at the child care facility that are actually provided or reserved for children of the taxpayer's employees. Applies to taxable years beginning after December 31, 2020.

EXECUTIVE OFFICE ON EARLY LEARNING'S POSITION: Support the Intent

Good afternoon. I am Lauren Moriguchi, Director of the Executive Office on Early Learning (EOEL). EOEL supports the intent of Senate Bill 2291, S.D. 1.

EOEL is statutorily responsible for the development of the State's early childhood system that shall ensure a spectrum of high-quality development and learning opportunities for children throughout the state, from prenatal care until the time they enter kindergarten, with priority given to underserved or at-risk children.

We appreciate the Legislature's recognition that families of young children in Hawaii need more affordable, high-quality child care options. Incentivizing employers to address their employees' child care needs through tax credits such as the one proposed in this bill would help provide our families with the support they need.

Thank you for the opportunity to testify on this bill.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Tax Credit for Business-Supported Child Care

BILL NUMBER: SB 2291, SD-1

INTRODUCED BY: Senate Committee on Human Services

EXECUTIVE SUMMARY: Establishes a refundable tax credit equal to an unspecified percentage of a taxpayer's eligible child care expenses. Defines eligible child care expenses to mean the sum of the taxpayer paid to a child care facility in the State to: (1) support the child care needs of the taxpayer's employees in the taxable year; and (2) purchase child care slots at the child care facility that are actually provided or reserved for children of the taxpayer's employees. Applies to taxable years beginning after December 31, 2020.

SYNOPSIS: Adds a new section to Chapter 235, HRS, that would provide a refundable credit in an unspecified percentage of eligible business child care expenses, not to exceed \$3,000 per eligible child in a taxable year. Eligible business child care expenses are defined as the sum of the amounts a taxpayer paid to a child care facility in the State to: (1) support the child care needs of the taxpayer's employees in the taxable year, not to exceed \$ _____ per child per taxable year; and (2) purchase child care slots at the child care facility that are actually provided or reserved for children of the taxpayer's employees, not to exceed \$ _____ per taxable year.

Provides that all claims for a tax credit under this section, including amended claims, shall be filed on or before the end of the twelfth month following the close of the taxable year for which the tax credit may be claimed. Failure to comply with the foregoing provision shall constitute a waiver of the right to claim the tax credit.

States that no other tax credit or deduction shall be claimed under this chapter for the certain expenses used to claim a tax credit under this section for the taxable year.

Defines "child care facility" means a licensed child care facility as defined under section 346-151, HRS.

EFFECTIVE DATE: This Act, upon its approval, shall apply to taxable years beginning after December 31, 2020.

STAFF COMMENTS: Using the tax system to shape social policy merely throws the revenue raising system out of whack, making the system less than reliable as there is no way to determine how many taxpayers will avail themselves of the credit and in what amount. Indeed, tax credits are nothing more than the expenditure of public dollars, but out the back door. If, in fact, these dollars were subject to the appropriation process, would taxpayers be as generous about the expenditure of these funds when our kids are roasting in the public school classrooms, there isn't enough money for social service programs, or our state hospitals are on the verge of collapse?

If lawmakers want to help struggling families, then a direct appropriation would be more accountable and transparent.

Furthermore, the additional credit would require changes to tax forms and instructions, reprogramming, staff training, and other costs that could be massive in amount. A direct appropriation or adding on to an existing program may be a far less costly method to accomplish the same thing.

Digested 2/21/2020

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

FROM: Robert G. Peters, Chair
Early Learning Board

SUBJECT: **Measure:** S.B. No. 2291, S. D. 1 – RELATING TO TAXATION
Hearing Date: February 25, 2020
Time: 12:40 p.m.
Location: Room 211

Bill Description: Establishes a refundable tax credit equal to an unspecified percentage of a taxpayer's eligible child care expenses. Defines eligible child care expenses to mean the sum of the taxpayer paid to a child care facility in the State to: (1) support the child care needs of the taxpayer's employees in the taxable year; and (2) purchase child care slots at the child care facility that are actually provided or reserved for children of the taxpayer's employees. Applies to taxable years beginning after December 31, 2020.

EARLY LEARNING BOARD'S POSITION: Support the Intent

Good afternoon. I am Robert G. Peters, Chair of the Early Learning Board (ELB). Thank you for this opportunity to offer testimony in support of the intent of S. B. No. 2291, S. D. 1.

Through Act 202, Session Laws of Hawaii 2017, ELB transitioned from an advisory to a governing board for the Executive Office on Early Learning (EOEL) and is charged with formulating statewide policy relating to early learning. We are composed of members from across the early childhood field, in both the public and private sectors.

ELB's mission is to support children's academic and lifelong well-being by directing and supporting the EOEL for an effective, coordinated, high-quality early learning system from prenatal to kindergarten entry. EOEL is statutorily responsible for the development of the State's early childhood system that shall ensure a spectrum of high-quality development and learning opportunities for children throughout the state, from prenatal care until the time they enter kindergarten, with priority given to underserved or at-risk children

The ELB appreciates the Legislature's recognition that families of young children in Hawaii need more affordable, high-quality child care options. Incentivizing employers to address their employees' child care needs through tax credits such as the one proposed in this bill would help provide our families with the support they need.

Thank you for the opportunity to testify in support of the intent of this bill.



Hawaii
Children's Action Network Speaks!
Building a unified voice for Hawaii's children

Hawai'i Children's Action Network Speaks! is a nonpartisan 501c4 nonprofit committed to advocating for children and their families. Our core issues are safety, health, and education.

To: Senator Dela Cruz, Chair
Senator Keith-Agaran, Vice Chair
Senate Committee on Ways and Means

LATE

Re: **SB 2291 SD1- Relating to taxation**
Hawai'i State Capitol, Room 211
12:40PM, 2/25/2020

Chair Dela Cruz, Vice Chair Keith-Agaran, and committee members,

On behalf of Hawai'i Children's Action Network Speaks! I am writing in **SUPPORT** of SB 2291 SD1, relating to taxation.

Child care cost in Hawaii are some of the most expensive in the country. Across all child care settings, the cost for full-time care can range from \$700-\$1100 monthly. Care for infants and toddlers is the most expensive, with an average of \$1100 per month. Families are desperate for relief.

In Hawaii, 7 out of 10 children live in homes where both parents work. This makes child care a necessity for both the families and our economy. Allowing businesses to purchase child care for their employees and then claim a tax credit can help families with the cost of child care and incentive businesses to support their employees.

For these reasons, HCAN SPEAKS! respectfully requests the Committee to support this measure.

Thank you.