

DAVID Y. IGE  
GOVERNOR

JOSH GREEN M.D.  
LT. GOVERNOR



ISAAC W. CHOY  
DIRECTOR OF TAXATION

STATE OF HAWAII  
**DEPARTMENT OF TAXATION**  
P.O. BOX 259  
HONOLULU, HAWAII 96809  
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To: The Honorable Sean Quinlan, Chair;  
The Honorable Daniel Holt, Vice Chair;  
and Members of the House Committee on Economic Development

From: Isaac W. Choy, Director  
Department of Taxation

Date: Friday, February 04, 2022  
Time: 10:00 A.M.  
Place: Via Video Conference, State Capitol

**Re: H.B. 2437, Relating to Taxation**

The Department of Taxation (Department) appreciates the intent of H.B. 2437 and offers the following comments for your consideration.

H.B. 2437 adds a section to chapter 235, Hawaii Revised Statutes (HRS), creating a new nonrefundable \$10,000 income tax credit for eligible health care providers. “Eligible health care providers” are defined to mean a qualified nurse or qualified physician with further definitions of those terms within the measure. The Department of Commerce and Consumer Affairs (DCCA) is responsible for certifying the license number and employment status of each eligible health care provider claiming the credit, as well as administering the credit’s unspecified aggregate cap. The measure applies to taxable years beginning after December 31, 2022.

The Department defers to the DCCA on its ability to certify the eligibility of health care providers claiming this tax credit, but request that third-party certification and cap administration be maintained. The Department does not have the requisite subject matter expertise to verify eligibility of health care providers claiming this tax credit.

If the intent of this new credit is to incentivize health care providers to work in Hawaii, the bill could be amended to specify the number of months in the year that eligible health care provider must work in Hawaii to qualify for the credit.

Notwithstanding the foregoing, the Department is able to administer the measure as written. Thank you for the opportunity to provide testimony on this measure.



**Written Testimony Presented Before the  
House Committee on Economic Development  
Friday, February 4, 2022 at 10:00 a.m.**

**by  
Laura Reichhardt, MS, AGNP-C, APRN  
Director, Hawai'i State Center for Nursing  
University of Hawai'i at Mānoa**

**Comments on HB 2437**

Chair Quinlan, Vice Chair Holt, and members of the House Committee on Economic Development, thank you for the opportunity to testify with **comments on HB 2437**.

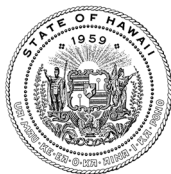
In Hawai'i, healthcare professionals are in high demand yet in low supply, particularly on the neighbor islands and in rural and underserved areas of our state. This situation includes all of Hawai'i and Kaua'i Counties as well as most of Maui County. Though population dense, O'ahu also has areas that are medically underserved.

The Hawai'i State Center for Nursing acknowledges that supporting healthcare professionals including nurses and physicians through income tax credits may support recruitment and retention of these professionals in our state, and may also encourage individuals considering leaving the state to remain in Hawai'i. The Center defers to the state departments named in this measure as it relates to the implementation and administration of this initiative.

We commend the State Legislature for identifying solutions to improve recruitment and retention of needed healthcare professionals in our state. Thank you for providing an opportunity to comment on this measure.

*The mission of the Hawai'i State Center for Nursing is that through collaborative partnerships, the Center provides accurate nursing workforce data for planning, disseminates nursing knowledge to support excellence in practice and leadership development; promotes a diverse workforce; and advocates for sound health policy to serve the changing health care needs of the people of Hawai'i.*

DAVID Y. IGE  
GOVERNOR



CRAIG K. HIRAI  
DIRECTOR

GLORIA CHANG  
DEPUTY DIRECTOR

**STATE OF HAWAII**  
**DEPARTMENT OF BUDGET AND FINANCE**  
P.O. BOX 150  
HONOLULU, HAWAII 96810-0150

EMPLOYEES' RETIREMENT SYSTEM  
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND  
OFFICE OF THE PUBLIC DEFENDER

ADMINISTRATIVE AND RESEARCH OFFICE  
BUDGET, PROGRAM PLANNING AND  
MANAGEMENT DIVISION  
FINANCIAL ADMINISTRATION DIVISION  
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

**WRITTEN ONLY**  
TESTIMONY BY CRAIG K. HIRAI  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
TO THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT  
ON  
HOUSE BILL NO. 2437

**February 4, 2022**  
**10:00 a.m.**  
**Room 312 and Videoconference**

RELATING TO TAXATION

The Department of Budget and Finance (B&F) offers comments on this bill.

House Bill No. 2437 adds a new section to Chapter 235, HRS, to establish a non-refundable income tax credit equal to \$10,000 for qualified nurses and physicians who are licensed and actively practicing in the State; sets an undetermined amount as the annual aggregate cap for the tax credit; and requires the Department of Commerce and Consumer Affairs to certify the tax credit and maintain records on taxpayers who claim the tax credit.

B&F notes that the federal American Rescue Plan (ARP) Act restricts states from using ARP Coronavirus State Fiscal Recovery Funds (CSFRF) to directly or indirectly offset a reduction in net tax revenue resulting from a change in law, regulation, or administrative interpretation beginning on March 3, 2021, through the last day of the fiscal year in which the CSFRF have been spent. If a state cuts taxes during this period, it must demonstrate how it paid for the tax cuts from sources other than the CSFRF, such as:

- By enacting policies to raise other sources of revenue;
- By cutting spending; or
- Through higher revenue due to economic growth.

If the CSFRF provided have been used to offset tax cuts, the amount used for this purpose must be repaid to the U.S. Treasury.

The U.S. Department of Treasury has issued rules governing how this restriction is to be administered. B&F will be working with the money committees of the Legislature to ensure that the State of Hawai'i complies with this ARP restriction.

Thank you for your consideration of our comments.

**Written Testimony Presented Before the  
House Committee on Economic Development**

**Hearing: February 4, 2022 @ 10:00AM  
State Capitol, Conference Room 312**

By Hawai'i – American Nurses Association (Hawai'i-ANA)



**HB2437 RELATING TO TAXATION**

Chair Sean Quinlan, Vice Chair Daniel Holt, and members of the House Committee on Economic Development for this opportunity to provide testimony in support of HB 2437 Relating to Taxation.

We are Hawai'i - American Nurses Association (Hawai'i-ANA) and we speak for over 15,000 Registered Nurses in our state. Hawai'i-ANA appreciates very much the efforts of the legislature to address the need to recruit and retain healthcare professionals across the state of Hawai'i. Thank you for providing an opportunity to support this measure which would provide a substantial piece of taxation relief.

We respectfully request that HB2437 pass out of this committee. Thank you for your continued support for measures that address the need to recruit and retain healthcare professionals in our community.

Contact information for Hawai'i – American Nurses Association

President: Katie Kemp, BAN, RN-BC      [president@hawaii-ana.org](mailto:president@hawaii-ana.org)  
Executive Director: Dr. Linda Beechinor, APRN-Rx, FNP-BC  
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Honolulu Hawai'i USA 96825

# TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

**LATE**

SUBJECT: INCOME, Health Care Provider Tax Credit

BILL NUMBER: HB 2437

INTRODUCED BY: QUINLAN, HASHIMOTO, ILAGAN, TODD

EXECUTIVE SUMMARY: Establishes a \$10,000 income tax credit for physicians, osteopathic physicians, and nurses who are licensed and actively practicing in the State.

SYNOPSIS: Adds a new section to chapter 235, HRS, to establish a \$10,000 nonrefundable income tax credit for physicians, osteopathic physicians, and nurses who are licensed and actively practicing in the State. DCCA is tasked with certifying eligible taxpayers and administering a statewide cap of \$\_\_\_\_\_.

EFFECTIVE DATE: Applicable to taxable years beginning after December 31, 2022.

STAFF COMMENTS: The tax system is there to raise revenue to keep the government moving. 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.

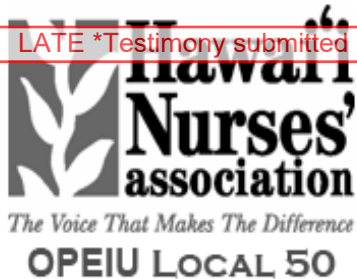
Furthermore, tax credits are nothing more than the expenditure of public dollars, but out the back door. If, in fact, these dollars were subject to the appropriation process, would taxpayers be as generous about the expenditure of these funds when our kids are roasting in the public school classrooms, there isn't enough money for social service programs, or our state hospitals are on the verge of collapse?

If lawmakers want to subsidize these professions, then a direct appropriation would be more accountable and transparent. The credit as currently drafted is very complex and, because of a statewide cap, would motivate taxpayers to rush to file their returns when they might not be otherwise ready to do so. Complexity makes proper administration of the credit very difficult. There will be taxpayers who will not claim the credit properly because of honest mistakes or misunderstandings, as well as bad actors who will intentionally claim the credit improperly for profit. Less complexity reduces the number of the former and makes it easier to catch the latter.

Finally, irrespective of how the numbers in the legislation are filled in, the additional credit would require changes to tax forms and instructions, reprogramming, staff training, and other costs that could be massive in amount.

A far easier way to accomplish the goals of the bill would be to reduce the relicensing fees for professionals in this field or even to give money to those who do relicense.

Digested: 2/3/2022



President

**Gary Nuber**

Director of Field Services

3375 Koapaka Street Suite B217  
Honolulu, HI 96819

Tel: (808) 531-1628

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The Thirty-First Legislature, State of Hawai'i  
Hawai'i State Senate  
Committee on Labor, Culture and the Arts

Testimony by  
Hawaii Nurses Association  
February 3, 2022

**LATE**

H.B. 2437 – RELATING TO TAXATION

The Hawaii Nurses Association -OPEIU Local 50 is affiliated with the AFL-CIO, was founded in 1917 and represents 4,000 nurses in the State of Hawaii. We are grateful to testify in support of H.B. 2437.

Thank you for your consideration and we urge you to pass this legislation.

Respectfully,

Daniel Ross  
President

**HB-2437**

Submitted on: 2/2/2022 1:18:36 PM

Testimony for ECD on 2/4/2022 10:00:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Remote Testimony Requested</b>
Gerard Silva	Individual	Oppose	No

Comments:

Doctors should not be getting away with paying Taxes and we the people have to pay that is not right. End Taxes for all the people.



**HB-2437**

Submitted on: 2/2/2022 1:34:41 PM

Testimony for ECD on 2/4/2022 10:00:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Remote Testimony Requested</b>
Gerald Gordner	Individual	Oppose	No

Comments:

I strongly oppose HB 2437 because it creates an arbitrary privileged class, foregoes necessary tax revenue, and sets a terrible precedent that would be exploited by other professions.

I disagree in principle with the idea of compensating certain professions out of tax revenues, especially when many members of those professions are already among the highest-paid members of our community. Once the legislature starts playing favorites like this, other professions will demand similar treatment. The government cannot afford to run this race to the bottom on occupational tax credits, nor should it try.

If the purpose of this bill is to attract and retain members of the medical profession to the islands, a far better proposal would be to reevaluate the licensing requirements--which currently serve as a high barrier to entry for medical professionals trained in other states--and authorize nurse practitioners and other non-physicians to provide a wider range of care.

**HB-2437**

Submitted on: 2/3/2022 7:49:09 PM

Testimony for ECD on 2/4/2022 10:00:00 AM

**LATE**

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Remote Testimony Requested</b>
Carol Philips	Individual	Support	No

Comments:

I strongly support this measure. Anything we can do to attract and keep health professionals in Hawaii is much needed.

Respectfully,

Carol Philips

**LATE**

**HB-2437**

Submitted on: 2/3/2022 8:04:43 PM  
Testimony for ECD on 2/4/2022 10:00:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Remote Testimony Requested</b>
Joan Craft RN	Individual	Support	No

Comments:

I think this will help to attract more Doctors and Nurses to Hawaii.