

DAVID Y. IGE  
GOVERNOR

JOSH GREEN M.D.  
LT. GOVERNOR



ISAAC W. CHOY  
DIRECTOR OF TAXATION

STATE OF HAWAII  
**DEPARTMENT OF TAXATION**  
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To: The Honorable Ryan I. Yamane, Chair;  
The Honorable Adrian K. Tam, Vice Chair;  
and Members of the House Committee on Health, Human Services, &  
Homelessness

From: Isaac W. Choy, Director  
Department of Taxation

Date: Tuesday, February 15, 2022  
Time: 9:00 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.

DAVID Y. IGE  
GOVERNOR



CRAIG K. HIRAI  
DIRECTOR

GLORIA CHANG  
DEPUTY DIRECTOR

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

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

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 HEALTH, HUMAN SERVICES, &  
HOMELESSNESS  
ON  
HOUSE BILL NO. 2437

**February 15, 2022**  
**9:00 a.m.**  
**Room 329 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 Health, Human Services, & Homelessness  
Tuesday, February 15, 2022 at 9:00 AM**

**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 Yamane, Vice Chair Tam, and members of the House Committee on Health, Human Services, & Homelessness, thank you for the opportunity to testify with **comments on HB 2437**.

In Hawai'i, health care 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 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 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 opportunities 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.*

**Written Testimony Presented Before the  
House Committee on Health, Human Services, & Homelessness**

**Hearing: February 15, 2022 @ 9:00AM  
State Capitol, via Videoconference**

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



**HB2437 RELATING TO TAXATION**

Chair Ryan Yamane, Vice Chair Adrian K. Tam, and members of the House Committee on Health, Human Services, and Homelessness 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. We are in a situation of high demand and low supply, particularly on the neighbor islands and in rural and underserved areas of 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.

Hawai'i-ANA acknowledges that supporting healthcare professionals including nurses and physicians through income tax credits can support recruitment and retention of these professionals in our state, and will encourage individuals considering leaving the state to remain in Hawai'i.

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

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[ana.org](http://ana.org)

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Executive Director: Dr. Linda Beechinor, APRN-Rx, FNP-BC  
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# TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

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SUBJECT: INCOME, Health Care Provider Tax Credit

BILL NUMBER: HB 2437

INTRODUCED BY: House Committee on Economic Development

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

**HB-2437**

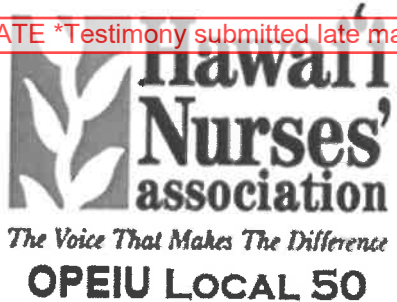
Submitted on: 2/14/2022 10:58:39 AM

Testimony for HHH on 2/15/2022 9:00:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Remote Testimony Requested</b>
Dara Carlin, M.A.	Individual	Support	No

Comments:

Stand in Support.



**Daniel Ross, RN**  
President

**Gary Nuber**  
Director of Field Services

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The Thirty-First Legislature, State of Hawai'i  
Hawai'i State House  
Committee on Health

Testimony by  
Hawaii Nurses Association  
February 15, 2022

H. B. 2437 – RELATING TO TAXATION

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

This bill will provide tax a \$10,000 income tax credit to Hawaii's nurses. With the high cost of living in Hawaii this bill will provide a meaningful way to help keep Hawaii's health care workers, especially nurses able to afford to live here.

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

Respectfully,

Daniel Ross  
President



**HB-2437**

Submitted on: 2/15/2022 7:59:38 AM

Testimony for HHH on 2/15/2022 9:00:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Remote Testimony Requested</b>
Bronsten Kossow	Individual	Support	No

Comments:

Please support our health care workers! Mahalo.