A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 SECTION 1. Chapter 235, Hawaii Revised Statutes, is

2 amended by adding a new section to be appropriately designated

3 and to read as follows:

4 "§235-   Employers providing child care tax credit. (a)

5 There shall be allowed to each qualifying taxpayer subject to

6 the taxes imposed by this chapter, an income tax credit that

7 shall be deductible from the taxpayer's net income tax

8 liability, if any, imposed by this chapter for the taxable year

9 in which the credit is properly claimed.

10 In the case of a partnership, S corporation, estate, or

11 trust, the tax credit allowable is for qualified costs incurred

12 by the entity for the taxable year. The cost upon which the tax

13 credit is computed shall be determined at the entity level.

14 Distribution and share of the credit shall be determined

15 pursuant to section 704(b) of the Internal Revenue Code.

16 (b) The amount of the credit determined under this section

17 for the taxable year shall be equal to:

1   (1)   Seventy-five per cent of the qualified costs of

2   operation incurred in the taxable year by a taxpayer

3   who is an employer that provides child care services

4   for the taxpayer's employees on the premises of the

5   employer, less any amounts paid by the employee to the

6   employer as compensation for such child care services;

7   provided that any tax credit amounts claimed but not

8   used in the taxable year may be carried forward for

9   five years; provided further that the total amount of

10   tax credit claimed in each taxable year shall not

11   exceed fifty per cent of the taxpayer's net income tax

12   liability for the taxable year computed without regard

13   to any other credits;

14   (2)   Seventy-five per cent of costs incurred in the taxable

15   year by a taxpayer who is an employer that sponsors or

16   pays for child care services provided at a location

17   other than at the premises of the employer for the

18   taxpayer's employees; provided that any tax credit

19   amounts claimed but not used in the taxable year may

20   be carried forward for five years; provided further

21   that the total amount of tax credit claimed in each

1   taxable year shall not exceed fifty per cent of the

2   taxpayer's net income tax liability for the taxable

3   year computed without regard to any other credits; and

4   (3)   One hundred per cent of the costs of qualified child

5   care property purchased and acquired by a taxpayer who

6   is an employer to provide child care facilities on the

7   premises of the employer for their employees; provided

8   that the tax credit shall be prorated equally over a

9   period of ten years beginning in the taxable year that

10   the qualified child care property is placed in

11   service.

12   (c)   Every taxpayer claiming a tax credit under this

13 section shall submit a written, sworn statement to the

14 department of taxation identifying:

15   (1)   The names of all employees utilizing child care

16   services at the premises of the employer;

17   (2)   The name of any child care provider rendering

18   employer-provided services to the taxpayer's

19   employees; and

20   (3)   Any information as may be required by the department

21   of human services to ensure that credits are granted

1   only to the taxpayers who provide or sponsor approved

2   child care pursuant to this section.

3   (d) Any credit claimed in any taxable year but not used in

4 that taxable year may be carried forward for three years from

5 the close of the taxable year. The sale, merger, acquisition,

6 or bankruptcy of any taxpayer shall not create new eligibility

7 for the credit in any succeeding taxpayer.

8   (e) Every claim, including amended claims, for the tax

9 credit under this section shall be filed on or before the end of

10 the twelfth month following the close of the taxable year for

11 which the tax credit may be claimed. Failure to comply with the

12 foregoing provision shall constitute a waiver of the right to

13 claim the credit.

14   (f) For the purposes of the section:

15   "Employer-provided" refers to child care services offered

16 on the premises of the employer.

17   "Employer-sponsored" refers to a contractual arrangement

18 with a child care provider that is paid for by the employer.

19   "Premises of the employer" refers to any location in the

20 State that is used by an employer as a place of business at

21 which the employer provides child care; provided that if the

1 place of business is impracticable or otherwise unsuitable for

2 on-site provision of child care, such child care may be provided

3 at another location that is within a reasonable distance of the

4 employer's place of business.

5 "Qualified child care property" means any property

6 purchased or acquired by the taxpayer and placed in service

7 during a taxable year for the provision of child care to the

8 taxpayer's employees.

9 "Qualified cost of operation" means reasonable, direct

10 operational costs incurred by a taxpayer as a result of

11 operating employer-provided child care facility for an employee

12 or employer-sponsored child care at a child care facility

13 licensed and approved by the department of human services.

14 "Qualifying taxpayer" means an employer who provides child

15 care services on the premises of the employer or subsidizes the

16 cost of child care for the employer's employee."

17 SECTION 2. New statutory material is underscored.

18 SECTION 3. This Act, upon its approval, shall apply to

19 taxable years beginning after December 31, 2022.

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INTRODUCED BY: _Lynn De Coite_
by request

Report Title:
Income Tax Credit; Employer Provided Child Care; Employer-Sponsored Child Care

Description:
Establishes income tax credits for employers who provide their employees with child care.

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