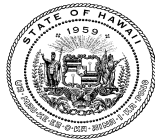


JOSH GREEN, M.D.
GOVERNOR



KEITH T. HAYASHI
SUPERINTENDENT

STATE OF HAWAII
DEPARTMENT OF EDUCATION
KA 'OIHANA HO'ONA'AUAO
P.O. BOX 2360
HONOLULU, HAWAII 96804

Date: 03/18/2024

Time: 03:05 PM

Location: CR 229 & Videoconference

Committee: Senate Education

Department: Education

Person Testifying: Keith T. Hayashi, Superintendent of Education

Title of Bill: HB 1652, HD1 RELATING TO TAX CREDITS.

Purpose of Bill: Establishes a state income tax credit for qualified expenses incurred by certain individuals employed by the Department of Education, a public charter school, the Hawaii state public library system, or as part of a head start program in a school. Effective 7/1/3000. (HD1)

Department's Position:

The Hawaii State Department of Education (Department) would like to provide testimony in support of HB 1652, HD1.

This bill establishes a state income tax credit for qualified expenses incurred by certain individuals employed by the Department, a public charter school; the Hawaii State Public Library system; as a pre-kindergarten through twelfth-grade teacher; instructor; school librarian; counselor; principal; registrar; aide; a teacher; or teacher assistant as part of a head start program.

If the bill passes, the Department defers to the Department of Taxation for its proper implementation.

Thank you for the opportunity to provide testimony on HB 1652, HD1.



STATE OF HAWAII
Executive Office on Early Learning
2759 South King Street, Room C6
HONOLULU, HAWAII 96826

March 15, 2024

TO: Senator Michelle N. Kidani, Chair
Senator Donna Mercado Kim, Vice Chair
Senate Committee on Education

FROM: Yuuko Arikawa-Cross, Director
Executive Office on Early Learning

SUBJECT: Measure: H.B. No. 1652 H.D. 1 – RELATING TO TAX CREDITS
Hearing Date: Monday, March 18, 2024
Time: 3:05 pm
Location: Conference Room 229

EXECUTIVE OFFICE ON EARLY LEARNING'S POSITION: Support

The Executive Office on Early Learning (EOEL) supports H.B. No. 1652 H.D. 1 and defers to the Department of Taxation regarding implementation.

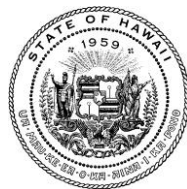
This bill would provide teachers, other school personnel, and Head Start providers additional financial support for classroom expenses through a state income tax credit. Teachers and educational assistants in EOEL public pre-kindergarten programs and Head Start teachers and teacher assistants may benefit directly from this bill.

We appreciate the Legislature's efforts to provide financial support to those who provide significant beneficial services to our young keiki and students across the State.

Mahalo for the opportunity to provide testimony in support of this measure.

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION

Ka 'Oihana 'Auhau
P.O. BOX 259

HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
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**TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No. 1652, H.D. 1, Relating to Tax Credits.

BEFORE THE:

Senate Committee on Education

DATE: Monday, March 18, 2024

TIME: 3:05 p.m.

LOCATION: State Capitol, Room 229

Chair Kidani, Vice-Chair Kim, and Members of the Committee:

The Department of Taxation ("Department") offers the following comments regarding H.B. 1652, H.D. 1, for your consideration.

H.B. 1652, adds a new section to chapter 235, Hawaii Revised Statutes (HRS), creating a nonrefundable income tax credit up to an unspecified amount for "qualified expenses" per taxable year for "qualified taxpayers." The term "qualified taxpayer" is defined as an individual employed by the Department of Education, a public charter school, or the Hawaii State Public Library System as a prekindergarten through twelfth-grade teacher, instructor, school librarian, counselor, principal, registrar, or aide. A "qualified taxpayer" also includes a teacher or teacher assistant as part of a head start program, classroom teacher, and special education teacher. The term "qualified expenses" is defined as expenses paid or incurred in connection with books, supplies, computer equipment, and supplementary classroom materials.

The measure has a placeholder effective date of July 1, 3000 and applies to taxable years beginning after December 31, 2023.

The Department recommends amending the bill by making the amount of the credit equal to a percentage of the taxpayer's expenses to discourage waste.

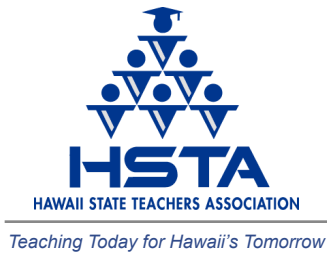
Additionally, the Department recommends amending the definition of "qualified expenses" in subsection (f) to require that any books, supplies, or computer equipment

that are purchased by a qualified taxpayer must be used in the classroom. Specifically, the Department recommends moving the phrase "used by the qualified taxpayer in the classroom" from paragraph (4) to a new line after paragraph (4), so that it applies to paragraphs (1) through (4), inclusive:

"Qualified expenses" means expenses paid or incurred by a qualified taxpayer who incurs the expenses in connection with:

- (1) Books;
 - (2) Supplies, other than athletic supplies for courses of instruction in health or physical education;
 - (3) Computer equipment, including related software and services; and
 - (4) Supplementary materials;
- used by the qualified taxpayer in the classroom.

Thank you for the opportunity to provide comments on this measure.



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Osa Tui, Jr.
President

Logan Okita
Vice President

Lisa Thompson
Secretary-Treasurer

Ann Mahi
Executive Director

TESTIMONY TO THE HAWAII SENATE COMMITTEE ON EDUCATION

Item: **HB1652 HD1 - Relating to tax credits**
Position: **Support**
Hearing: **March 18, 2024, 3:05 p.m., Conference Room 229**
Submitter: **Osa Tui, Jr. – President, Hawai'i State Teachers Association**

Chair Kidani, Vice Chair Kim and members of the committee,

The Hawai'i State Teachers Association **supports** HB1652 HD1 which establishes a state income tax credit for qualified expenses incurred by certain individuals employed by the Department of Education, a public charter school, the Hawai'i state public library system, or as part of a head start program in a school.

A recent survey of our members had respondents reporting an average of \$953 of their own money being spent a year on various classroom supplies. Those who answered the survey said they spent anywhere from \$75 to \$4,000 annually out of their own funds on various classroom supplies, conferences, and many other expenses. Sometimes it's on basic supplies for students whose families cannot otherwise afford them. Other times it's snacks to use as rewards for students, or even sometimes for students who cannot afford or might be late to school and miss school meals. Often, teachers are spending out of pocket to supplement classroom materials that enrich the educational experience for their students beyond what is provided for in their classroom budgeting.

As prices of everyday items continue to increase, families are seeing their wallets squeezed more and more and unable to provide for "extras" for their children, including participation in field trips and other experiences which help to define the school experience for youngsters.

There are few other professions where others have to give so generously from their own pockets for the benefit of others at their jobs. A tax credit like this would go a long way towards acknowledging and respecting the difficult work that our educators perform daily.

The Hawai'i State Teachers Association asks your committee to **support** this bill.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME TAX, Credit for Educational Supplies

BILL NUMBER: HB 1652 HD 1

INTRODUCED BY: House Committee on Finance

EXECUTIVE SUMMARY: Establishes a state income tax credit for qualified expenses incurred by certain individuals employed by the Department of Education, a public charter school, Hawai'i state public library system, or as part of a head start program in a school.

SYNOPSIS: Adds a new section to HRS chapter 235 to allow qualifying taxpayers to claim a nonrefundable tax credit of up to \$___ for "qualified expenses."

Defines "qualified taxpayer" as, with respect to any taxable year, an individual who is employed (1) By the department of education, a public charter school, or the Hawaii state public library system as a prekindergarten through twelfth-grade teacher, instructor, school librarian, counselor, principal, registrar, or aide; or (2) As a teacher or teacher assistant as part of a head start program. "Qualified taxpayer" includes a classroom teacher and special education teacher.

Defines "qualified expenses" as expenses paid or incurred by a qualified taxpayer who incurs the expenses in connection with books, supplies (other than athletic supplies for courses of instruction in health or physical education), computer equipment (including related software and services), and supplementary materials used by the qualifying taxpayer in the classroom.

Specifies that no other tax credit or deduction may be claimed for Hawaii income tax purposes for the qualified expenses used to claim this tax credit for the taxable year.

The credit is not refundable but may be carried forward until exhausted.

Claims for the credit, including any amended claims, must be filed on or before the end of the 12th month following the close of the taxable year. Failure to do so will result in waiver of the credit.

Requires the director of taxation to prepare any necessary forms. Allows the department to require the taxpayer to furnish reasonable substantiation and adopt necessary rules pursuant to HRS chapter 91 to carry out this section.

EFFECTIVE DATE: July 1, 3000; applicable to taxable years beginning after December 31, 2023.

STAFF COMMENTS: This measure proposes a tax credit of \$___ for 100% of certain out-of-pocket expenses incurred by a teacher. The credit proposed in this measure would be granted without regard to a taxpayer's need for tax relief. It should be remembered that using the tax system to achieve social goals, as this measure proposes, is an inefficient means of accomplishing such goals.

Most of us have heard stories about teachers in the public school system who have been forced to use their own funds for classroom materials, and we know that isn't right. But the problem is with the bureaucratic system of requesting the funds and having the system take as much as six months to approve the money. The money has been appropriated, and it is the system that is frustrating. Thus, instead of using the tax system to "compensate" these teachers, first consideration should be given to "fixing the system."

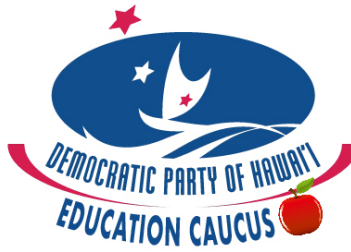
The suggestion has been made time and time again to give teachers debit cards of some type for the classroom supplies budget under EDN 100. The cards could be credited with a predetermined amount and could be encoded so that only defined classroom supplies could be purchased with that debit card. Such a system already has been employed to administer the state's food stamp program, so why can't a similar system be established for classroom supplies rather than mucking up the tax system and ignoring the budgeting and appropriation processes?

Instead of just throwing money at a problem, in this case a tax credit, lawmakers should demand that the department fix the problem with the money that is there. It is the bureaucracy that needs to be addressed. Since the tax credit is an indirect additional burden on all remaining taxpayers as it shifts the burden to those not so favored, this proposal amounts to a tax increase and steals money from other programs.

Other technical considerations that lawmakers should consider if the bill is to go forward are:

- There appears to be no requirement that the expense be unreimbursed. To prevent unintended double benefit, the word "unreimbursed" should be added to the qualified expense definition, and/or there should be recapture consequences if credited amounts are reimbursed.

Digested: 3/15/2024



HOUSE BILL 1652, HD1, RELATING TO TAX CREDITS

MARCH 18, 2024 · EDU HEARING

POSITION: Support.

RATIONALE: The Democratic Party of Hawai'i Education Caucus **supports** HB 1652, HD1, relating to tax credits, which establishes a state income tax credit for qualified expenses incurred by certain individuals employed by the Department of Education, Hawai'i state public library system, or as part of a head start program in a school.

According to the National School Supply and Equipment Association, public school teachers annually spend \$1.6 billion of their discretionary income on supplementary school supplies and instructional materials. On average, teachers surveyed spent a total of \$485 on school supplies and instructional materials, with more than 10 percent spending over \$1,000 of personal income each school year to educate their keiki. Those figures likely rose during the COVID-19 pandemic, as teachers were forced to purchase cleaning supplies and personal protective equipment for themselves, their students, and their classrooms, since PPE supplies were not always obtainable from the Hawai'i Department of Education.

That trend is, if anything, worse in Hawai'i, which consistently ranks at the bottom in national teacher compensation studies. Pay cuts, rising health care costs, adjusted insurance co-pays, and the loss of the state's \$1,690-per-special-education-teacher classroom supply fund have all aggravated the financial burden borne by teachers' pocketbooks. In a recent survey conducted

by HSTA, 47 percent of respondents cited personal expenditures between \$250 and \$500 each year on classroom supplies, with many claiming expenditures in excess of \$1,000. Lawmakers must take action to lighten their financial load.

Ensuring that educators have more money in their pocketbooks effectively increases their purchasing power, puts money back into the local economy, and incentivizes the teaching profession at a time when our state's high cost-of-living and low adjusted-average income compel many would-be teachers to choose more highly compensated professions (or, even worse, leave the state altogether). Today, approximately half of Hawai'i's teachers leave our state's classrooms every five years. Therefore, to recruit and retain quality teachers for our schools, we should provide fiscal incentives that offset our state's exorbitant and every-increasing cost-of-living for supplies that support the learning growth of our keiki.

Kris Coffield · Chairperson, DPH Education Caucus · (808) 679-7454 · kriscoffield@gmail.com