



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

February 21, 2024

**TO:** Representative Kyle Yamashita, Chair  
Representative Lisa Kitagawa, Vice Chair  
House Committee on Finance

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

**SUBJECT: Measure:** H.B. No. 1652 H.D. 1 – RELATING TO TAX CREDITS

**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. 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



KEITH T. HAYASHI  
SUPERINTENDENT

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

**Date:** 02/23/2024

**Time:** 01:00 PM

**Location:** 308 VIA VIDEOCONFERENCE

**Committee:** House Finance

**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:**

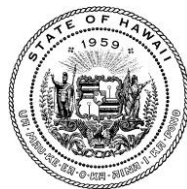
The Hawaii State Department of Education (Department) would like to provide testimony in support of HB 1652, HD1. This bill establishes a state income tax credit for qualified expenses incurred by certain individuals employed by the Department, a public charter school; the Hawaii State Public Library 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.

The Department appreciates the changes in the language of the bill, removing the requirement for teachers and other school personnel to be employed for at least nine hundred hours during a school year to qualify for the tax credit. 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 relating to tax credits.

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  
FAX NO: (808) 587-1560

**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:**

House Committee on Finance

**DATE:** Friday, February 23, 2024

**TIME:** 1:00 p.m.

**LOCATION:** State Capitol, Room 308

Chair Yamashita, Vice-Chair Kitagawa, 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 defective effective date of July 1, 3000 and applies to taxable years beginning after December 31, 2023.

The Department notes that if this Committee wishes to advance this measure with a functional effective date, the Department can administer this bill as currently drafted.

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

JOSH GREEN M.D.  
GOVERNOR



CATHY K. IKEDA  
CHAIRPERSON

STATE OF HAWAII  
**STATE PUBLIC CHARTER SCHOOL COMMISSION**  
**(‘AHA KULA HO‘ĀMANA)**

<http://CharterCommission.Hawaii.Gov>  
1164 Bishop Street, Suite 1100, Honolulu, Hawaii 96813  
Tel: (808) 586-3775 Fax: (808) 586-3776

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FOR: HB 1652 HD1 Relating to Tax Credits  
DATE: February 23, 2024, 1:00 PM  
COMMITTEE: Committee on Finance  
ROOM: Conference Room 308 & Videoconference  
FROM: Ed H. Noh, Ed. D., Executive Director  
State Public Charter School Commission

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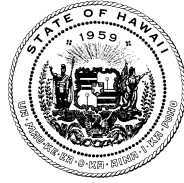
Chair Yamashita, Vice Chair Kitagawa, and members of the Committee:

The State Public Charter School Commission (“Commission”) appreciates the opportunity to provide testimony in **SUPPORT of HB 1652 HD1** which provide teachers and certain other school personnel with financial support for classroom expenses by establishing a state income tax credit for teachers to offset personal expenditures on school and classroom supplies.

The Commission appreciates the inclusion of public charter school teachers in the definition of “qualified taxpayer” as it clarifies that this tax credit applies to and is available to public charter school teachers.

The Commission is available to work with the Legislature and our public charter schools in moving this legislation forward.

Thank you for the opportunity to provide this testimony.



STATE OF HAWAII  
HAWAII STATE PUBLIC LIBRARY SYSTEM  
'OIHANA HALE WAIHONA PUKE AUPUNI O KA MOKU'ĀINA O HAWAII'  
OFFICE OF THE STATE LIBRARIAN  
44 MERCHANT STREET  
HONOLULU, HAWAII 96813

**HOUSE COMMITTEE ON FINANCE**

**Friday, February 23, 2024**

**1:00 PM**

**Conference Room 308**

**By Stacey A. Aldrich  
State Librarian**

**H.B. 1652 H.D.1 RELATING TO TAX CREDITS**

To: Rep. Kyle T. Yamashita, Chair  
Rep. Lisa Kitagawa, Vice Chair  
Members of the House Committee on Finance

The Hawaii State Public Library System (HSPLS) appreciates the intent of H.B. 1652 H.D.1 and offers **comments** on H.B. 1652 H.D.1, which establishes a state income tax credit for qualified expenses incurred by certain individuals employed by the Department of Education (DOE), a public charter school, the Hawaii State Public Library System (HSPLS), or as part of a head start program in a school.

The HSPLS has concerns about the language of this measure as written and respectfully requests clarification regarding the following issues:

- The tax credit may be claimed by any HSPLS employee regardless of their employment status or job duties;
- There are no requirements that the “qualified expenses” are:
  - 1) related to the employee’s job duties;
  - 2) utilized in activities related to the employee’s job duties or position; or
  - 3) used to meet the mission and vision of the Hawaii State Public Library System.

Also, the definition of “qualified taxpayer” requires that the individual is employed by the DOE, public charter school, or the HSPLS, but fails to identify HSPLS employees. We note that “school librarians” are DOE employees and the reference is not applicable to HSPLS employees.

Should this measure move forward, we look forward to working with the Legislature to clarify these issues.

Thank you for the opportunity to provide testimony on H.B. 1652 H.D.1.



1200 Ala Kapuna Street • Honolulu, Hawaii 96819  
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**Osa Tui, Jr.**  
President

**Logan Okita**  
Vice President

**Lisa Thompson**  
Secretary-Treasurer

**Ann Mahi**  
Executive Director

## TESTIMONY TO THE HAWAII HOUSE COMMITTEE ON FINANCE

Item: **HB1652 HD1 - Relating to tax credits**  
Position: **Support**  
Hearing: **February 23, 2024, 1:00 p.m., Conference Room 308**  
Submitter: **Osa Tui, Jr. – President, Hawai'i State Teachers Association**

Chair Yamashita, Vice Chair Kitagawa and members of the committee,

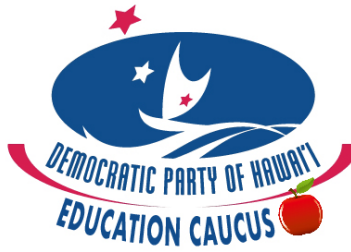
The Hawai'i State Teachers Association **supports** HB1652 HD1 which establishes a state income tax credit for qualified expenses incurred by certain individuals employed by the Department of Education, a public charter school, the Hawai'i state public library system, or as part of a head start program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



## HOUSE BILL 1652, HD1, RELATING TO TAX CREDITS

FEBRUARY 23, 2024 · FIN 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](mailto:kriscoffield@gmail.com)**

# 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 Education

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: 2/21/2024