

JAN 19 2024

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 the 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 child care services to the
19 taxpayer's 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 services 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 this section:

15 "Employer-provided" refers to services offered on the
16 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 services, the child care
3 services may be provided at another location that is within a
4 reasonable distance of the 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 an employer-provided child care facility for an
12 employee or employer-sponsored child care services at a child
13 care facility licensed and approved by the department of human
14 services.

15 "Qualifying taxpayer" means an employer who provides child
16 care services on the premises of the employer or subsidizes the
17 cost of child care for the employer's employee."

18 SECTION 2. New statutory material is underscored.



1 SECTION 3. This Act, upon its approval, shall apply to
2 taxable years beginning after December 31, 2023.

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INTRODUCED BY:

Lyn DeLoe



S.B. NO. 2547

Report Title:

Income Tax Credit; Employer-Provided Child Care Services;
Employer-Sponsored Child Care

Description:

Establishes income tax credits for employers who offer employer-provided or employer-sponsored child care services for their employees.

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