



STATE OF HAWAII
DEPARTMENT OF EDUCATION

P.O. BOX 2360
HONOLULU, HAWAII 96804

Date: 01/27/2020
Time: 02:45 PM
Location: 229
Committee: Senate Education

Department: Education

Person Testifying: Dr. Christina M. Kishimoto, Superintendent of Education

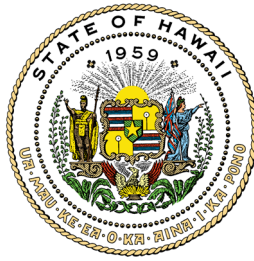
Title of Bill: SB 2261 RELATING TO TAXATION.

Purpose of Bill: Provides an income tax exclusion for certain public school teachers who earn \$60,000 or less per year. Defines eligible teachers as school teachers, special education teachers, school librarians and school counselors employed by the DOE or a charter school.

Department's Position:

The Department of Education (Department) supports the intent of SB 2261 provided its passage does not replace or adversely impact priorities indicated in the Board of Education's approved budget. The Department has a multi-faceted approach to help address the shortage of qualified teachers in Hawaii. This income tax exclusion will be a benefit to qualified teachers and will positively support the Department's current recruitment and retention efforts.

The Hawai'i State Department of Education is committed to delivering on our promises to students, providing an equitable, excellent, and innovative learning environment in every school to engage and elevate our communities. This is achieved through targeted work around three impact strategies: school design, student voice, and teacher collaboration. Detailed information is available at www.hawaiipublicschools.org.



SENATE COMMITTEE ON EDUCATION
The Honorable Michelle N. Kidani, Chair
The Honorable Donna Mercado Kim, Vice Chair

Testimony of the Office of the Auditor on
S.B. NO. 2261, RELATING TO TAXATION

Hearing: Monday, January 27, 2020, 2:45 p.m.

The Office of the Auditor takes **no position** on S.B. No. 2261 and offers the following comments related to reviews of tax exemptions, exclusions, and credits.

The bill amends Chapter 235, Hawai‘i Revised Statutes (HRS), by adding a new section that provides an income tax exclusion for certain public school teachers who earn \$60,000 or less per year.

We are required to annually review the effectiveness of certain tax exemptions, exclusions, and credits. The questions we are asked to determine include whether: (1) a tax provision has achieved and continues to achieve the purpose for which it was enacted by the legislature, and (2) the benefit, if any, outweighs the cost of the exemption, exclusion, credit, or deduction. HRS §§ 23-71, et seq. and 23-91, et seq.

Evaluations of tax preferences require good data, which includes information about what a preference is intended to do as well as how to assess whether it is achieving its intended purpose. Therefore, for all exemptions, exclusions, credits, and deductions, we recommend the Legislature consider including the purpose of the incentive and clear measurables to determine its effectiveness. We also suggest the Legislature, in consultation with the Department of Taxation, consider the information a claimant should be required to provide that may be necessary for our evaluation of the preference. The Department of Labor and Industrial Relations may be required to assist with job creation and wage data.

The following is sample language from The Washington State Legislative Auditor’s *Guidance for Drafting Performance Statements in Tax Preference Legislation* (2014) which recommends legislation include:

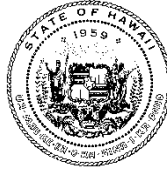
- A clear statement of purpose with a “logic chain” which identifies a sequence of steps to achieve the policy objective (for example, “It is the Legislature’s specific public policy objective to reduce the amount of carbon dioxide emissions in Washington. It is the Legislature’s intent to exempt solar powered cars from sales and use tax, in order to reduce the price charged to customers for solar-powered cars, thereby inducing some customers to buy solar-powered cars when they might not otherwise, thereby increasing

the number of solar-powered cars on the road in Washington, thereby reducing the amount of carbon dioxide emissions in Washington.”).

- Measurements of effectiveness, including clear and specific targets (for example, “If a review finds that average employment at solar-powered car manufacturing plants increased by 15 percent in the five years following enactment of this tax preference, then the Legislature intends to extend the expiration date of the tax preference.”). However, we note Washington suggests exercising caution when including causal language when describing the measurable condition, as it is often not possible to conclude a direct causal link.
- Identification of potential data sources that would allow measurement of effectiveness (for example, “In order to obtain the data necessary to perform the review in subsection (3), the Joint Legislative Audit and Review Committee may refer to the employment and wage data available from the employment security department.”).

We agree with the Washington State Legislative Auditor that including a statement of purpose and measurements of effectiveness for proposed or existing tax provisions allows for more meaningful analysis of tax preferences.

Thank you for considering our testimony related to S.B. No. 2261.



STATE OF HAWAII
HAWAII TEACHER STANDARDS BOARD
650 IWILEI ROAD, SUITE 201
HONOLULU, HAWAII 96817

January 27, 2020

TO THE SENATE COMMITTEE ON EDUCATION

TESTIMONY ON SENATE BILL 2261, RELATING TO TAXATION

SUBMITTED BY LYNN HAMMONDS FOR THE HAWAII TEACHER STANDARDS BOARD

Chair Kidani, Vice Chair Kim, and Members of the Senate Committee on Education:

The Hawaii Teacher Standards Board (HTSB) supports SB 2261 to provide an income tax exclusion for public school teachers in the Department of Education (DOE) and Hawaii public charter schools. Providing this exclusion to reduce the amount of state taxes paid by teachers will provide needed additional income, which will help them meet the high cost of living in Hawaii. Effectively increasing income will encourage teachers to continue their employment as a Hawaii public school teacher.

The HTSB thanks the Senate Committee on Education for introducing and hearing this bill to support teachers and help them remain in Hawaii's public school classrooms.

Thank you for the opportunity to testify.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: NET INCOME, Exclusion for School Teachers

BILL NUMBER: SB 2261

INTRODUCED BY: KIDANI, KEITH-AGARAN, K. RHOADS, Baker, Gabbard, Inouye, K. Kahele, Kanuha, Shimabukuro, Wakai

EXECUTIVE SUMMARY: Provides an income tax exclusion for certain public school teachers who earn \$60,000 or less per year. Defines eligible teachers as school teachers, special education teachers, school librarians and school counselors employed by the DOE or a charter school.

SYNOPSIS: Adds a new section to chapter 235, HRS, providing that every eligible teacher shall have up to \$30,000 excluded for net income tax purposes. The exclusion shall be equal to one hundred per cent of the gross income earned by an eligible teacher, up to \$30,000 per taxable year for a single return or, if filing jointly and taxpayers are eligible teachers, \$60,000 per taxable year.

Defines "eligible teacher" as a taxpayer who is a school teacher, special education teacher, school librarian, or school counselor who is employed by the department of education or a charter school in the State and who: (1) instructs or provides services to students in any grade between prekindergarten and twelfth grade; and (2) earns \$60,000 or less in gross income per taxable year as an employee of the department of education or a charter school.

Provides that the director of taxation shall prepare any forms that may be necessary to claim an exclusion under this section. The director may also require the taxpayer to furnish reasonable information to ascertain the validity of the claim for an exclusion made under this section and may adopt rules necessary to effectuate the purposes of this section pursuant to chapter 91.

EFFECTIVE DATE: Taxable years beginning after 12/31/2019.

STAFF COMMENTS: This measure proposes to exclude up to \$30,000 in earned income of a teacher. This might not sound like much, as the tax liability for a single teacher making \$30,000, according to the 2019 Tax Tables, is \$1,812. However, for taxpayers filing joint returns, the real benefit of the exclusion depends on the income being made by the other spouse. If the other spouse is a surgeon pulling down enough money to drop the couple into the highest tax bracket, for example, then the benefit of the exclusion is 11% of the excluded amount, or \$3,300.

The policy question that needs to be asked, then, is why should the tax benefit depend on the non-teacher spouse? The result does not appear to be in sync with the policy goal sought to be achieved.

Digested 1/24/2020

DAVID Y. IGE
GOVERNOR



JOHN S.S. KIM
CHAIRPERSON

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

<http://CharterCommission.Hawaii.Gov>
1111 Bishop Street, Suite 516, Honolulu, Hawaii 96813
Tel: (808) 586-3775 Fax: (808) 586-3776

FOR: SB 2261 Relating to Taxation
DATE: January 27, 2020
TIME: 2:45 P.M.
COMMITTEE: Committee on Education
ROOM: Conference Room 229
FROM: Sione Thompson, Executive Director
State Public Charter School Commission

Chair Kidani, Vice Chair Kim and members of the Committee:

The State Public Charter School Commission (“Commission”) appreciates the opportunity to submit this testimony in **SUPPORT of SB 2261**, which provides an income tax exclusion, up to \$30,000, for eligible teachers, which include public charter school teachers. The Commission is grateful for the inclusion and support of public charter schools in this measure.

The Commission further appreciates the efforts to support teachers and demonstrate an appreciation for the work they do in educating Hawaii’s children. The Commission looks forward to collaborating with the committee, other interested stakeholders, and public charter schools in moving this legislation forward.

Thank you for the opportunity to provide this testimony.



SENATE BILL 2261, RELATING TO TAXATION

JANUARY 27, 2020 · SENATE EDUCATION
COMMITTEE · CHAIR SEN. MICHELLE N. KIDANI

POSITION: Support, with amendments.

RATIONALE: The Democratic Party of Hawai'i Education Caucus supports and suggests amendments for SB 2261, relating to taxation, which provides an income tax exclusion for certain public school teachers who earn \$60,000 or less per year and defines eligible teachers as school teachers, special education teachers, school librarians, and school counselors employed by the Hawai'i Department of Education or a charter 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.

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.

Budget cuts and an overemphasis on standardized testing have crippled the DOE, in recent years, leading to reconsideration of whether or not to continue successful learning programs. Unfortunately, when our state's education budget fails to keep pace with inflation, successful learning centers and categorical programming get placed on the chopping block, while the DOE's priorities shift from classroom support to programmatic savings. Put simply, when we fail to adequately fund our schools, the DOE must spend more time accounting for basic, programs, crowding out concerns about the efficient allocation of funds for individual teacher needs, like classroom supplies.

That said, we urge you to **~~amend this measure by eliminating the income cap for eligibility,~~** which would allow all teachers to apply for the tax credit. Ensuring that all 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. If policymakers are truly interested in enhancing the DOE's ability to recruit quality teachers into our schools, providing fiscal incentives that modestly offset our state's exorbitant cost-of-living for goods that enhance the learning growth of our keiki is a worthy policy to pursue.



1200 Ala Kapuna Street ♦ Honolulu, Hawaii 96819
Tel: (808) 833-2711 ♦ Fax: (808) 839-7106 ♦ Web: www.hsta.org



Corey Rosenlee
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Osa Tui Jr.
Vice President
Logan Okita
Secretary-Treasurer
Wilbert Holck
Executive Director

TESTIMONY BEFORE THE SENATE COMMITTEE ON
EDUCATION

RE: SB 2261 - RELATING TO TAXATION

MONDAY, JANUARY 27, 2020

COREY ROSENLEE, PRESIDENT
HAWAII STATE TEACHERS ASSOCIATION

Chair Kidani and Members of the Committee:

The Hawaii State Teachers Association **supports SB 2261**, relating to taxation.

If passed, this bill will exempt from state income tax, public school teachers, special education teachers, school librarians, and counselors, who earn less than \$60,000 per year, and are employed by the Department of Education or a public charter school.

Notably, most teachers do not earn enough to claim the benefits of tax itemization—they cannot, for example, take mortgage deductions for homes that they cannot afford to buy.

Peer-reviewed research has shown time and time again that a quality teacher is essential to quality student learning. Approximately ten per cent of the state's teachers switch schools, relocate, or leave the profession each year, however, and only fifty to sixty per cent of current teachers have been at their school for five years or more. Chronic teacher turnover has led to more than 1,000 teacher vacancies throughout the state year after year, forcing the department of education to rely on unlicensed teachers such as emergency hires and substitute teachers to provide classroom instruction.

Teacher recruitment and retention is especially difficult for poor and hard-to-staff communities. In *Equitable Access to Excellent Educators*, a report published by the department of education in 2015, the department found that an average of 14.48 percent of teachers in low-poverty schools are inexperienced, unqualified, or teaching outside of their field of expertise. In high-poverty schools, however, an average of 21.48 percent of teachers are inexperienced, unqualified, or out-of-field.

The legislature additionally finds that Hawaii's high cost of living is a significant contributing factor in the department of education's teacher recruitment and retention efforts. According to a 2018 WalletHub study, the State ranked fifty-first out of fifty states and the District of Columbia for starting teacher salary and median teacher salary adjusted for cost of living.

This bill would help to improve teacher recruitment and retention by exempting income earned for our teachers, librarians, and counselors at our public schools or public charter schools from the state income tax. We need to provide financial support for our teachers earning less than \$60,000 a year, and we would argue for all our teachers, although this bill only addressing those earning \$60,000 or less, as they are all underpaid when you factor in the high cost of living in Hawaii. Accordingly, the Hawaii State Teachers Association asks your committee to **support** this bill.



LATE

KAMEHAMEHA SCHOOLS®

Senate Committee on Education

Time: 2:45 p.m.

Date: January 27, 2020

Where: Conference Room 229

TESTIMONY

By Ka'ano'i Walk

Kamehameha Schools

RE: **SB 2261, Relating to Taxation**

E ka Luna Ho'omalu Kidani, ka Hope Luna Ho'omalu Kim, a me nā Lālā o ke Kōmike Ho'ona'auao o ka 'Aha Kenekoa, aloha kākou! My name is Ka'ano'i Walk, the Senior Policy Analyst for Kamehameha Schools.

Kamehameha Schools is in **support the intent** of SB 2261, meant to benefit our teachers and schools by providing an income tax exclusion for certain public school teachers who earn \$60,000 or less per year. This measure also defines eligible teachers as school teachers, special education teachers, school librarians and school counselors employed by the DOE or a charter school.

Hawai'i continues to face a teacher shortage crisis, in part due to the high cost of living. Such conditions lead to an unstable education workforce, which negatively impacts the educational success of our keiki. The tax exclusion will help provide some relief from our high cost of living and encourage educators to stay in the field. We commend the creativity and determination of the legislature in advancing new approaches to retain and support public school educators

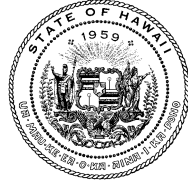
This bill is a great first step forward. We are hopeful the bill will be further clarified to consider this benefit for all of our hard working public servants and working families who are struggling in our current economic environment. We need these reliefs urgently and more to address the problems and challenges that plague Hawai'i families.

Founded in 1887, Kamehameha Schools is an educational organization striving to restore our people through education and advance a thriving Lāhui where all Native Hawaiians are successful, grounded in traditional values, and leading in the local and global communities. We believe that community success is individual success, Hawaiian culture-based education leads to academic success and local leadership drives global leadership.

'A'ohe hana nui ke alu 'ia. No task is too large when we all work together! **Please advance this measure.**

DAVID Y. IGE
GOVERNOR

JOSH GREEN M.D.
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
Phone: (808) 587-1540 / Fax: (808) 587-1560
Email: Tax.Directors.Office@hawaii.gov

RONA M. SUZUKI
DIRECTOR OF TAXATION

DAMIEN A. ELEFANTE
DEPUTY DIRECTOR

LATE

To: The Honorable Michelle N. Kidani, Chair;
The Honorable Donna Mercado Kim, Vice Chair;
and Members of the Senate Committee on Education

From: Rona M. Suzuki, Director
Department of Taxation

Re: **S.B. 2261, Relating to Taxation**

Date: Monday, January 27, 2020

Time: 2:45 P.M.

Place: Conference Room 229, State Capitol

The Department of Taxation (Department) supports the intent of S.B. 2261 and offers the following comments.

S.B. 2261 adds a new section to chapter 235, Hawaii Revised Statutes (HRS), allowing eligible teachers to exclude up to \$30,000 per taxable year on a Hawaii income tax return, or up to \$60,000 if filing jointly and both taxpayers are eligible teachers. The bill defines "eligible teacher" as a taxpayer who is a teacher, librarian, or counselor who is employed by the Hawaii Department of Education (DOE) or a charter school in the State and earns \$60,000 or less in gross income per taxable year as an employee in that position. S.B. 2261 is effective upon approval and applies to taxable years beginning after December 31, 2019.

The Department notes that when taxpayers file jointly, they actually become one taxpayer. To clarify that the income limit of \$60,000 is per person, the Department recommends amending subsection (d) to read as follows:

(d) As used in this section, "eligible teacher" means a ~~[taxpayer]~~ person who is a school teacher, special education teacher, school librarian, or school counselor who is employed by the department of education or a charter school in the State and who:

Additionally, the Department also notes that it will be able to implement the changes in this bill with its current effective date.

Thank you for the opportunity to provide comments.

Council Chair
Alice L. Lee

Vice-Chair
Keani N.W. Rawlins-Fernandez

Presiding Officer Pro Tempore
Tasha Kama

Councilmembers
Riki Hokama
Kelly Takaya King
Michael J. Molina
Tamara Paltin
Shane M. Sinenci
Yuki Lei K. Sugimura



Director of Council Services
Traci N. T. Fujita, Esq.

COUNTY COUNCIL
COUNTY OF MAUI
200 S. HIGH STREET
WAILUKU, MAUI, HAWAII 96793
www.MauiCounty.us

LATE

January 26, 2020

TO: The Honorable Michelle Kidani, Chair
Senate Committee on Education

FROM: Tamara Paltin, Councilmember for West Maui
Maui County Council

SUBJECT: **HEARING OF JANUARY 27, 2020; SUPPORT OF SB 2261, RELATING TO TAXATION**

Thank you for the opportunity to offer testimony in **SUPPORT** of this important measure. The purpose of this bill provides an income tax exclusion for certain public school teachers who earn \$60,000 or less per year. Defines eligible teachers as school teachers, special education teachers, school librarians and school counselors employed by the DOE or a charter school.

The Maui County Council has not had the opportunity to take a formal position on this measure. Therefore, I am providing this support in my capacity as an individual member of the Maui County Council.

As the councilmember for the West Maui district, home to four Hawai'i State Department of Education public schools, I am acutely aware of the need to recruit and, perhaps more importantly, retain our public school teachers. I believe this tax incentive is one of many steps that can be taken by the State Legislature to ensure the future viability of our educators here in Hawai'i.

Thank you, once again, for the opportunity to testify and for your consideration.



HAWAII GOVERNMENT EMPLOYEES ASSOCIATION
AFSCME Local 152, AFL-CIO

RANDY PERREIRA, Executive Director • Tel: 808.543.0011 • Fax: 808.528.0922

The Thirtieth Legislature, State of Hawaii
The Senate
Committee on Education

LATE

Testimony by
Hawaii Government Employees Association

January 27, 2020

S.B. 2261 – RELATING TO TAXATION

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO would like to provide comments on S.B. 2261, which provides an income tax exclusion of up to \$60,000 for public school teachers, librarians, and counselors employed by the Department of Education or a charter school, as we cannot support the measure as currently drafted.

While we appreciate the intent of the measure, we respectfully suggest that creating tax exclusions for any specific classification or occupation is a slippery slope to navigate when striving to address income inequality. The sheer number of employees in Hawaii who could benefit from a similar income tax exclusion is immeasurable. Of the 29,000 members that we represent, the average salary is \$56,000. Our largest unit, which includes over 2,800 educational assistants, many of whom are oftentimes in the classroom working with a teacher, is \$39,500. In fairness to all employees, whether public, private, or non-profit, we cannot support a measure that places higher value and importance on one group over others.

All employees – teachers, librarians, counselors, but also including police officers, fire fighters, nurses, lifeguards, and janitors – deserve inclusion in this measure that aims to benefit the working families of our state. While well-intended, it is also misguided, and we cannot support it in its current form.

Respectfully submitted,

Randy Perreira
Executive Director