
A BILL FOR AN ACT

RELATING TO EDUCATION.

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

1 SECTION 1. The legislature finds that the quality of
2 education remains one of the most important topics of concern
3 among our residents. Providing our children with the best
4 possible education is the most effective means we have toward
5 ensuring a prosperous and healthy future for our communities.
6 Recognizing this point, the legislature has addressed this issue
7 with measures such as Act 51, Session Laws of Hawaii 2004 (Act
8 51), sometimes referred to as the Reinventing Education Act,
9 which was designed to overhaul and streamline the education
10 system in Hawaii. Among other things, Act 51:

- 11 (1) Requires the department of education to use a
12 weighted-student formula that allocates moneys to
13 public schools based on the needs of each student
14 instead of enrollment;
- 15 (2) Ensures that school principals have the authority to
16 expend at least seventy per cent of the department of
17 education's operating budget; and



1 (3) Reduces bureaucracy by transferring functions from
2 various state agencies to the department of education.

3 The legislature further finds that additional work needs to
4 be done to continue the momentum generated by Act 51's reforms.
5 To achieve this, the legislature believes that a comprehensive
6 five-year plan should be implemented that drives the State's
7 commitment to education to another level. In addition to other
8 programs, the five-year plan for education should consist of the
9 following primary components:

10 (1) A contingency fund for schools to offset losses from
11 the weighted-student formula;

12 (2) Additional funding for capital improvement, repair,
13 and maintenance projects to improve aging and decrepit
14 school infrastructure; and

15 (3) Improving access to technology for every low-income
16 household by establishing a tax credit for computer
17 purchases.

18 The five-year plan would dedicate sufficient financial
19 resources for each of these initiatives. With the economy
20 experiencing a spectacular revival, and with the resultant
21 influx of tax revenue, the financial environment is now
22 conducive to a comprehensive approach to resolve the issues that



1 continue to plague our education system. It is imperative that
2 the State take full advantage of this window of opportunity.

3 The purpose of this Act is to ensure access to technology
4 by providing a tax credit for computer purchases by low-income
5 households with children in school.

6 SECTION 2. Chapter 235, Hawaii Revised Statutes, is
7 amended by adding a new section to be appropriately designated
8 and to read as follows:

9 "§235- Access to technology tax credit. (a) There
10 shall be allowed to each qualified taxpayer an income tax credit
11 that shall be deductible from the taxpayer's net income tax
12 liability, if any, imposed by this chapter for the taxable year
13 in which the credit is properly claimed. The amount of the tax
14 credit shall be equal to the cost of purchasing computers or
15 computer-related equipment incurred by each qualified taxpayer
16 up to a maximum amount not to exceed \$500 for each qualified
17 taxpayer. The tax credit shall apply to computers or computer-
18 related equipment purchased after December 31, 2006, and before
19 January 1, 2012.

20 (b) If a deduction is taken under section 179 (with
21 respect to election to expense depreciable business assets) of
22 the Internal Revenue Code, no tax credit shall be allowed for



1 that portion of the computer and computer-related costs for
2 which the deduction is taken.

3 The basis of eligible property for depreciation or
4 accelerated cost recovery system purposes for state income taxes
5 shall be reduced by the amount of credit allowable and claimed.

6 In the alternative, the qualified taxpayer shall treat the
7 amount of the credit allowable and claimed as a taxable income
8 item for the taxable year in which it is properly recognized
9 under the method of accounting used to compute taxable income.

10 (c) If the tax credit under this section exceeds the
11 qualified taxpayer's income tax liability, the excess of credit
12 over liability shall be refunded to the qualified taxpayer;
13 provided that no refunds or payments shall be made for amounts
14 less than \$1. All claims, including amended claims, for a tax
15 credit under this section shall be filed on or before the end of
16 the twelfth month following the close of the taxable year for
17 which the credit may be claimed. Failure to comply with the
18 foregoing provision shall constitute a waiver of the right to
19 claim the credit.

20 (d) The director of taxation shall prepare any forms that
21 may be necessary to claim a credit under this section. The
22 director shall also require the qualified taxpayer to furnish



1 information to ascertain the validity of the claim for credit
2 made under this section and may adopt rules necessary to
3 effectuate the purposes of this section pursuant to chapter 91.

4 (e) To qualify for the income tax credit, the qualified
5 taxpayer shall be in compliance with all applicable federal,
6 state, and county statutes, rules, and regulations.

7 (f) The department of education shall provide the
8 department of taxation with student and other relevant
9 information to the extent that is necessary to comply with this
10 section. The department of taxation shall request student and
11 other relevant information to the extent that is necessary to
12 comply with this section from all other schools outside of the
13 department of education. If insufficient information is
14 provided to the department of taxation to verify a taxpayer's
15 eligibility and qualifications in claiming the tax credit, the
16 tax credit shall not be awarded to the taxpayer.

17 (g) No later than March 31 of each year following the year
18 in which computer or computer-related equipment costs were
19 incurred, each qualified taxpayer claiming the tax credit shall
20 submit a written, notarized statement to the director of
21 taxation identifying the computer or computer-related equipment
22 costs incurred in the year being claimed.



1 (h) The department of taxation, with the assistance of the
2 department of education, shall maintain records of the names of
3 qualified taxpayers eligible for the credit and the total amount
4 of eligible costs incurred in each taxable year by each
5 qualified taxpayer. The department of taxation, with the
6 assistance of the department of education, shall compile all
7 eligible costs and, upon each determination, shall issue a
8 certificate to each qualified taxpayer pursuant to subsection
9 (i) indicating:

10 (1) The amount of computer and computer-related equipment
11 costs eligible for the tax credit; and

12 (2) The amount of the tax credit that the qualified
13 taxpayer may use for the tax year in which the costs
14 were incurred.

15 (i) The department of taxation shall certify no more than
16 \$15,000,000 in tax credits in the aggregate for all taxpayers
17 for each taxable year; provided that if the total amount claimed
18 on all statements in the aggregate filed by March 31 for the
19 previous tax year amounts to:

20 (1) \$15,000,000 or less, the department of taxation shall
21 certify all claims; and



1 (2) More than \$15,000,000, the department of taxation
2 shall certify claims for each qualified taxpayer in an
3 amount proportional to the total amount claimed.

4 (j) As used in this section:

5 "Computers or computer-related equipment" means computers,
6 monitors, keyboards, printers, scanners, copiers, mouses, and
7 trackballs; provided that computer package deals or bundles
8 shall also qualify even if such package deals or bundles contain
9 items not specified in this definition.

10 "Net income tax liability" means income tax liability
11 reduced by all other credits allowed under this chapter.

12 "Qualified taxpayer" means a taxpayer who:

13 (1) Purchases the computer or computer-related equipment;

14 (2) Is the legal guardian or parent of a child who is
15 enrolled in a primary school, secondary school, high
16 school, college preparatory school, or new century
17 charter school; and

18 (3) For the taxable year in which the tax credit is
19 claimed, is the head of a household that earns gross
20 income that is equal to no more than fifty per cent of
21 the median family income as determined by the United
22 States census bureau."



1 SECTION 3. New statutory material is underscored.

2 SECTION 4. This Act shall take effect upon its approval
3 and shall apply to taxable years beginning after December 31,
4 2006.

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INTRODUCED BY:

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Report Title:

Five-Year Plan; Education; Technology for Low-Income Households

Description:

Specifies a five-year plan for education. Establishes an income tax credit, capped at \$15,000,000 per year in the aggregate, for computer purchases by households with school children that earn no more than 50% of the median family income.

