

JAN 24 2018

A BILL FOR AN ACT

RELATING TO ON-SITE EARLY CHILDHOOD FACILITIES.

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

1 SECTION 1. The legislature finds that Hawaii has one of
2 the highest costs for child care in the nation. The annual
3 tuition cost of many child care facilities in Hawaii exceeds the
4 annual in-state tuition at the University of Hawaii at Manoa.
5 In many cases, the costs for child care for two children are as
6 much as one full-time working parent would make in a year after
7 taxes. Not surprisingly, in many families, one parent will
8 leave the workforce to care for their children on a full-time
9 basis, instead of enrolling the children in child care.

10 The legislature further finds that more of Hawaii's
11 children are entering kindergarten without the physical,
12 cognitive, linguistic, social, and emotional skills necessary to
13 prepare them for success in school life. The link between
14 school readiness and success in school is indisputable.
15 According to kindergarten teachers within the department of
16 education, many of the children who do not attend pre-



1 kindergarten programs could be eighteen to twenty-four months
2 behind developmentally than their peers who do attend preschool.

3 The legislature also finds that the creation of on-site
4 early childhood facilities by employers addresses concerns of
5 child care costs while also providing access to early childhood
6 learning programs. Employers who create on-site early childhood
7 facilities may see greater employee retention, performance, and
8 lower absenteeism as well as a more productive and positive
9 workplace environment.

10 The purpose of this Act is to establish an income tax
11 credit for employers who create on-site early childhood
12 facilities to increase access to high quality early childhood
13 programs from child care to preschool and junior kindergarten.

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

17 "§235- On-site early childhood facility tax credit. (a)
18 There shall be allowed to each taxpayer subject to the taxes
19 imposed by this chapter, an income tax credit which shall be
20 deductible from the taxpayer's net income tax liability, if any,
21 imposed by this chapter for the taxable year in which the credit



1 is properly claimed. In the case of a partnership, S
2 corporation, estate, or trust, the tax credit allowable is for
3 qualified costs incurred by the entity for the taxable year.
4 The cost upon which the tax credit is computed shall be
5 determined at the entity level. Distribution and share of the
6 credit shall be determined pursuant to section 704(b) of the
7 Internal Revenue Code.

8 (b) For the purposes of this section:

9 "Qualified costs" means the expenses incurred in acquiring,
10 constructing, and establishing an on-site early childhood
11 facility and the associated operating costs.

12 "Qualified on-site early childhood facility" means an on-
13 site early child hood facility offered by an employer to all
14 employees that is licensed and approved by the department of
15 human services and receives an accreditation from a recognized
16 national early childhood accredited agency within two years of
17 initial operation.

18 (c) The director of human services shall adopt rules
19 pursuant to chapter 91 that shall determine the criteria for
20 eligibility for the credit. The rules shall require proof of an
21 on-site early childhood facility. The department of human



1 services shall issue a certification to the taxpayer after the
2 taxpayer submits documentation as required by the department of
3 human services. Such certification shall be acceptable as proof
4 of the qualified costs related to the implementation of a
5 qualified on-site early childhood facility for the purposes of
6 the credit allowed under this section.

7 (d) The department of human services, in consultation with
8 the department of taxation, shall provide a certificate of
9 approval to qualified on-site early childhood facilities
10 implemented by employers. In developing criteria for an on-site
11 early childhood facility certificate of approval, the department
12 of human services shall consider:

13 (1) Whether the on-site early childhood facility provides
14 early childhood programs from child care to preschool
15 and junior kindergarten;

16 (2) Participation rate by employees;

17 (3) Quality of the early childhood programs being
18 provided; and

19 (4) Whether the presence of an on-site early childhood
20 facility promotes a healthy workplace environment.



1 (e) The director of human services, in consultation with
2 the director of taxation, shall create a form that indicates an
3 employer is using an on-site early childhood facility.

4 (f) The tax credit shall be equal to twenty-five per cent
5 of the qualified costs paid or incurred by the employer in
6 connection with a qualified early childhood facility, subject to
7 the following:

8 (1) The total credit allowed for an employer in any
9 taxable year shall not exceed \$ _____ ;

10 (2) The on-site early childhood facility shall operate for
11 a minimum of ten years or the credit may be
12 recaptured;

13 (3) Costs paid or incurred by an employer for insurance
14 shall not be taken into account when calculating the
15 costs included in the on-site early childhood facility
16 credit computation;

17 (4) The total amount of credit claimed on returns filed by
18 all employers in the State's fiscal year shall not
19 exceed the annual on-site early childhood facility
20 credit cap. If the total amount of credit claimed on
21 returns filed by all employers in the State's fiscal



1 year exceeds the on-site early childhood facility
2 credit annual cap, the credit shall be allowed to
3 employers based on the date of certification by the
4 department of human services on a first come, first
5 served basis. Any employer who is certified by the
6 department of human services in a fiscal year and who
7 does not receive the on-site early childhood facility
8 credit because the annual credit cap has been exceeded
9 for that fiscal year shall receive priority for the
10 credit in the following fiscal year before employers
11 receiving certification in that fiscal year; and

12 (5) The annual on-site early childhood facility credit cap
13 shall be determined by the director of taxation for
14 each year from January 1 to December 31 beginning in
15 2019.

16 (g) If the tax credit under this section exceeds the
17 taxpayer's net income tax liability, the amount of the excess
18 tax credit over payments due shall be refunded to the eligible
19 taxpayer.

20 (h) Every claim, including amended claims, for the tax
21 credit under this section shall be filed on or before the end of



1 the twelfth month following the close of the taxable year for
2 which the tax credit may be claimed. Failure to meet the filing
3 requirements of this subsection shall constitute a waiver of the
4 right to claim the tax credit.

5 (i) No taxpayer shall claim any other credit under this
6 chapter for the same qualified costs used to properly claim a
7 tax credit under this section for the taxable year.

8 (j) The director of taxation:

9 (1) Shall prepare forms as may be necessary to claim the
10 tax credit under this section;

11 (2) Shall require the taxpayer to furnish certification
12 designated by the department of human services to
13 ascertain the validity of the claim for the tax
14 credit; and

15 (3) May adopt rules pursuant to chapter 91 to effectuate
16 the purposes of this section.

17 (k) This section shall not apply to any amount paid or
18 incurred before January 1, 2019."

19 SECTION 3. There is established one full-time equivalent
20 (1.0 FTE) on-site early childhood facility coordinator position
21 in the executive office on early learning to assist with



S.B. NO. 2905

1 licensure and accreditation requirements, work with providers,
2 and ensure appropriate facility design of on-site early
3 childhood facilities established by employers in the State.

4 SECTION 4. There is appropriated out of the general
5 revenues of the State of Hawaii the sum of \$ or so
6 much thereof as may be necessary for fiscal year 2018-2019 for
7 one full-time equivalent (1.0 FTE) on-site early childhood
8 facility coordinator position in the executive office on early
9 learning to assist with licensure and accreditation
10 requirements, work with providers, and ensure appropriate
11 facility design of on-site early childhood facilities
12 established by employers in the State.


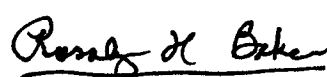
13 The sum appropriated shall be expended by the department of
14 education for the purposes of this Act.

15 SECTION 5. New statutory material is underscored.

16 SECTION 6. This Act shall take effect on July 1, 2018;
17 provided that the tax credit established in section 2 of this
18 Act shall apply to taxable years beginning after December 31,
19 2018.

20
INTRODUCED BY:





S.B. NO. 2905

Don AC Kuth-Ang



S.B. NO. 2905

Report Title:

On-Site Early Childhood Facilities; Income Tax Credit;
Appropriation

Description:

Establishes an income tax credit for employers who create on-site early childhood facilities. Establishes and appropriates funds for one on-site early childhood facility coordinator position.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

