
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
17 pre-kindergarten programs could be eighteen to twenty-four



1 months behind developmentally than their peers who do attend
2 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 and performance,
8 lower absenteeism, and a more productive and positive workplace
9 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.**

18 (a) There shall be allowed to each taxpayer subject to the
19 taxes imposed by this chapter, an income tax credit that shall
20 be deductible from the taxpayer's net income tax liability, if



1 any, imposed by this chapter for the taxable year in which the
2 credit is properly claimed.

3 In the case of a partnership, S corporation, estate, or
4 trust, the tax credit allowable is for qualified costs incurred
5 by the entity for the taxable year. The cost upon which the tax
6 credit is computed shall be determined at the entity level.

7 Distribution and share of the credit shall be determined
8 pursuant to section 704(b) of the Internal Revenue Code.

9 (b) Every taxpayer claiming a tax credit under this
10 section, no later than ninety days following the end of each
11 taxable year in which qualified costs were paid or incurred,
12 shall submit a written, sworn statement to the department of
13 human services, identifying:

14 (1) Qualified costs, if any, paid or incurred in the
15 previous taxable year; and

16 (2) The amount of tax credits claimed pursuant to this
17 section, if any, in the previous taxable year.

18 (c) The department of human services shall:

19 (1) Maintain records of the names and addresses of the
20 taxpayers claiming the credit under this section and



1 the total amount of the qualified costs upon which the
2 tax credit is based;

3 (2) Verify the amount of the qualified costs;

4 (3) Total all qualified costs that the department of human
5 services certifies; and

6 (4) Provide a letter to the director of taxation
7 specifying the amount of the tax credit for each
8 taxable year and cumulative amount of the tax credit
9 for all years claimed.

10 Upon each determination made under this subsection, the
11 department of human services shall issue a letter to the
12 taxpayer verifying the information submitted to that department,
13 including the amount of qualified costs and the credit amount
14 qualified for in each taxable year a credit is claimed. The
15 taxpayer shall file the letter from the department of human
16 services with the taxpayer's tax return with the department of
17 taxation. Notwithstanding the authority of the department of
18 human services under this section, the director of taxation may
19 audit and adjust the tax credit amount to conform to the
20 information filed by the taxpayer.



1 (d) The department of human services shall provide a
2 certificate of approval to qualified on-site early childhood
3 facilities implemented by taxpayers. In determining whether to
4 grant approval to an on-site early childhood facility, the
5 department of human services shall consider the following
6 criteria:

7 (1) Whether the on-site early childhood facility provides
8 early childhood programs from child care to preschool
9 and junior kindergarten;

10 (2) Participation rate by employees;

11 (3) Quality of the early childhood programs being
12 provided; and

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

15 The director of human services shall adopt rules pursuant to
16 chapter 91 to implement the certification requirements under
17 this section.

18 (e) The director of human services, in consultation with
19 the director of taxation, shall create a form that indicates a
20 taxpayer is using an on-site early childhood facility.



1 (f) The tax credit shall be equal to twenty-five per cent
2 of the taxpayer's qualified costs, subject to the following:

3 (1) The total credit allowed for a taxpayer in any taxable
4 year shall not exceed \$ _____ ;

5 (2) The on-site early childhood facility shall operate for
6 a minimum of ten years or the credit may be
7 recaptured; provided that the credit shall not be
8 subject to recapture if the department of human
9 services certifies that the employer ceased operating
10 the facility for reasonable cause, including but not
11 limited to going out of business, being forced to
12 close the facility due to a natural disaster or other
13 unforeseeable circumstances, and closing the facility
14 temporarily with the intention of reopening it for
15 such reasons as facility refurbishment or improvement;
16 and

17 (3) The total amount of tax credits allowed under this
18 section shall not exceed \$ _____ for all taxpayers
19 in any fiscal year. If the total amount of credits
20 claimed under this section by all taxpayers in any
21 fiscal year exceeds \$ _____ , the credit shall be



1 allowed to taxpayers based on the date of
2 certification by the department of human services on a
3 first come, first served basis. Any taxpayer who is
4 certified by the department of human services in a
5 fiscal year and who is not eligible to claim the
6 credit due to the \$ cap having been exceeded
7 for that fiscal year shall be eligible to claim the
8 credit in the subsequent year and shall receive
9 priority for the credit over taxpayers who receive
10 certification in the subsequent fiscal year.

11 (g) If the tax credit under this section exceeds the
12 taxpayer's net income tax liability, the excess of credits over
13 payments due shall be refunded to the taxpayer; provided that no
14 refunds or payments on account of the tax credits allowed by
15 this section shall be made for amounts less than \$1.

16 (h) Every claim, including amended claims, for the tax
17 credit under this section shall be filed on or before the end of
18 the twelfth month following the close of the taxable year for
19 which the tax credit may be claimed. Failure to comply with the
20 foregoing provision shall constitute a waiver of the right to
21 claim the credit.



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

4 (j) The director of taxation:

5 (1) Shall prepare any forms that may be necessary to claim
6 a tax credit under this section;

7 (2) May require the taxpayer to furnish reasonable
8 information to ascertain the validity of the claim for
9 the tax credit made under this section; and

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

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

14 (1) For the purposes of this section:

15 "Qualified costs" means the expenses incurred in acquiring,
16 constructing, and establishing a qualified on-site early
17 childhood facility and the associated operating costs; provided
18 that qualified costs shall not include costs paid or incurred
19 for insurance.



1 "Qualified on-site early childhood facility" means an on-
2 site early childhood facility offered by an employer to all
3 employees that:

4 (1) Is licensed and approved by the department of human
5 services; and

6 (2) Receives an accreditation from a recognized national
7 early childhood accredited agency within two years of
8 initial operation."

9 SECTION 3. There is established one full-time equivalent
10 (1.0 FTE) on-site early childhood facility coordinator position
11 in the executive office on early learning to assist with
12 licensure and accreditation requirements, work with providers,
13 and ensure appropriate facility design of on-site early
14 childhood facilities established by employers in the State.

15 SECTION 4. There is appropriated out of the general
16 revenues of the State of Hawaii the sum of \$ or so much
17 thereof as may be necessary for fiscal year 2018-2019 for one
18 full-time equivalent (1.0 FTE) on-site early childhood facility
19 coordinator position in the executive office on early learning
20 to assist with licensure and accreditation requirements, work
21 with providers, and ensure appropriate facility design of on-



1 site early childhood facilities established by employers in the
2 State.

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

5 SECTION 5. New statutory material is underscored.

6 SECTION 6. This Act shall take effect on July 1, 2050;
7 provided that section 2 shall apply to taxable years beginning
8 after December 31, 2018.



S.B. NO. 2905 S.D. 2

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 1 on-site early childhood facility coordinator position. Applies to taxable years beginning after 12/31/2018. Effective 7/1/2050. (SD2)

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