



STATE OF HAWAII  
DEPARTMENT OF HUMAN SERVICES  
P. O. Box 339  
Honolulu, Hawaii 96809-0339

February 7, 2020

TO: The Honorable Senator Russell E. Ruderman, Chair  
Senate Committee on Human Services

FROM: Pankaj Bhanot, Director

SUBJECT: **SB 2291 - RELATING TO TAXATION**

Hearing: February 10, 2020, 2:45 p.m.  
Conference Room 016, State Capitol

**DEPARTMENT'S POSITION:** The Department of Human Services (DHS) supports the intent of this bill to establish a refundable tax credit of a taxpayer's eligible child care expenses that would include supporting the child care needs of taxpayer's employees or purchasing child care slots at a child care facility for the taxpayer's employees. DHS defers to the Department of Taxation as to implementation and to the Department of Budget & Finance as to the fiscal implications.

**PURPOSE:** This bill proposes to establish a refundable income tax credit equal to an unspecified percentage of a taxpayer's eligible child care expenses; defines eligible child care expenses to mean the sum of the taxpayer paid to a child care facility to: (1) support the child care needs of the taxpayer's employees in the taxable year; and (2) purchase child care slots at the child care facility that are actually provided or reserved for children of the taxpayer's employees; applies to taxable years beginning after December 31, 2019.

DHS supports the need to increase the availability and capacity of child care facilities for Hawai'i's families and children and increase access to child care by working families. This

proposed tax credit would incentivize employers to supporting the needs of their employees with young children and help retain Hawaii's workforce.

Thank you for the opportunity to provide testimony on this bill.

**DAVID Y. IGE**  
GOVERNOR  
**JOSH GREEN M.D.**  
LT. GOVERNOR



STATE OF HAWAII  
**DEPARTMENT OF TAXATION**  
P.O. BOX 259  
HONOLULU, HAWAII 96809  
PHONE NO: (808) 587-1540  
FAX NO: (808) 587-1560

**RONA M. SUZUKI**  
DIRECTOR OF TAXATION  
**DAMIEN A. ELEFANTE**  
DEPUTY DIRECTOR

To: The Honorable Russell E. Ruderman, Chair;  
The Honorable Karl Rhoads, Vice Chair;  
and Members of the Senate Committee on Human Services

From: Rona M. Suzuki, Director  
Department of Taxation

Re: **S.B. 2291, Relating to Taxation**  
Date: Monday, February 10, 2020  
Time: 2:45 P.M.  
Place: Conference Room 016, State Capitol

The Department of Taxation (Department) appreciates the intent of S.B. 2291 and provides the following comments.

S.B. 2291 creates a refundable income tax credit equal to an unspecified percentage of eligible business child care expenses during the taxable year. It is effective for taxable years beginning after December 31, 2019.

The Department notes that the measure does not specify how the credit will be distributed if the taxpayer is a pass-through entity. The Department suggests adding the following language in its own subsection or at the end of subsection (b):

In the case of a partnership, S corporation, estate, or trust, the tax credit shall be based on the eligible business child care expenses incurred by the entity for the taxable year. The expenses upon which the tax credit is computed shall be determined at the entity level.

Finally, the Department respectfully requests the bill be amended to make this new credit effective for taxable years beginning after December 31, 2020. This will provide sufficient time to make the necessary form and computer system changes.

Thank you for the opportunity to provide comments.



**STATE OF HAWAII**  
**Executive Office on Early Learning**  
2759 South King Street  
HONOLULU, HAWAII 96826

February 6, 2020

**TO:** Senator Russell E. Ruderman, Chair  
Senator Karl Rhoads, Vice Chair  
Senate Committee on Human Services

**FROM:** Lauren Moriguchi, Director  
Executive Office on Early Learning

**SUBJECT: Measure:** S.B. No. 2291 – RELATING TO TAXATION  
**Hearing Date:** February 10, 2020  
**Time:** 2:45 p.m.  
**Location:** Room 016

**Bill Description:** Establishes a refundable tax credit equal to an unspecified percentage of a taxpayer's eligible child care expenses. Defines eligible child care expenses to mean the sum of the taxpayer paid to a child care facility in the State to: (1) support the child care needs of the taxpayer's employees in the taxable year; and (2) purchase child care slots at the child care facility that are actually provided or reserved for children of the taxpayer's employees. Applies to taxable years beginning after December 31, 2019.

**EXECUTIVE OFFICE ON EARLY LEARNING'S POSITION: Support the Intent**

Good afternoon. I am Lauren Moriguchi, Director of the Executive Office on Early Learning (EOEL). EOEL supports the intent of Senate Bill 2291.

We appreciate the Legislature's support of EOEL's statutory responsibility to develop the State's early childhood system that shall a spectrum of high-quality development and learning opportunities for children throughout the state, from prenatal care until the time they enter kindergarten, with priority given to underserved or at-risk children.

We truly appreciate the Legislature's recognition that families of young children in Hawaii need more affordable, high-quality child care options. Incentivizing employers to address their employees' child care needs through tax credits such as the one proposed in this bill would help provide our families with the support they need.

Thank you for the opportunity to testify on this bill.

**SB-2291**

Submitted on: 2/7/2020 6:18:23 PM

Testimony for HMS on 2/10/2020 2:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Younghi Overly	Testifying for aaupw of hawaii	Support	No

Comments:

**TO:** Senator Russell E. Ruderman, Chair  
Senator Karl Rhoads, Vice Chair  
Senate Committee on Human Services

**FROM:** Robert G. Peters, Chair  
Early Learning Board

**SUBJECT:** **Measure:** S.B. No. 2291 – RELATING TO TAXATION  
**Hearing Date:** February 10, 2020  
**Time:** 2:45 p.m.  
**Location:** Room 016

**Bill Description:** Establishes a refundable tax credit equal to an unspecified percentage of a taxpayer's eligible child care expenses. Defines eligible child care expenses to mean the sum of the taxpayer paid to a child care facility in the State to: (1) support the child care needs of the taxpayer's employees in the taxable year; and (2) purchase child care slots at the child care facility that are actually provided or reserved for children of the taxpayer's employees. Applies to taxable years beginning after December 31, 2019.

**EARLY LEARNING BOARD'S POSITION: Support the Intent**

Good afternoon. I am Robert G. Peters, Chair of the Early Learning Board (ELB). Thank you for this opportunity to offer testimony in support of the intent of S. B. No. 2291.

Through Act 202, Session Laws of Hawaii 2017, ELB transitioned from an advisory to a governing board for the Executive Office on Early Learning (EOEL) and is charged with formulating statewide policy relating to early learning. We are composed of members from across the early childhood field, in both the public and private sectors.

ELB's mission is to support children's academic and lifelong well-being by directing and supporting the EOEL for an effective, coordinated, high-quality early learning system from prenatal to kindergarten entry. EOEL is statutorily responsible for the development of the State's early childhood system that shall ensure a spectrum of high-quality development and learning opportunities for children throughout the state, from prenatal care until the time they enter kindergarten, with priority given to underserved or at-risk children

The ELB appreciates the Legislature's recognition that families of young children in Hawaii need more affordable, high-quality child care options. Incentivizing employers to address their employees' child care needs through tax credits such as the one proposed in this bill would help provide our families with the support they need.

Thank you for the opportunity to testify in support of the intent of this bill.

To: Committee on Human Services  
Committee Chair Russell E. Ruderman  
Committee Vice Chair Karl Rhoads

Date: February 10, 2020

RE: **Support for SB 2291; Relating to Taxation**

The Early Childhood Action Strategy (ECAS) is a statewide public-private collaborative designed to improve the system of care for Hawai'i's youngest children and their families. ECAS partners are working to align priorities for children prenatal to age eight, streamline services, maximize resources, and improve programs to support our youngest keiki. ECAS supports SB 2291 with comments.

We truly appreciate the Legislature's recognition that families of young children in Hawaii need more affordable, high-quality child care options. Incentivizing employers to address their employees' child care needs through tax credits such as the one proposed in this bill would help provide our families with the support they need.

We urge the committee to pass SB 2291 and mahalo for the opportunity to provide testimony.