
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 compared to their peers who 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 legislature recognizes that due to the COVID-19
11 pandemic, social distancing requirements have been established
12 to protect the health and safety of Hawaii residents. While
13 slowing the spread of COVID-19, social distancing requirements
14 have exacerbated the seat capacity of existing early childhood
15 facilities. The creation of on-site early childhood facilities
16 will help to increase seat capacity for more children and
17 alleviate the strain the COVID-19 pandemic has on the existing
18 facilities.

19 The purpose of this Act is to establish an income tax
20 credit for employers who create on-site early childhood



1 facilities to increase access to high-quality early childhood
2 programs from child care to preschool and junior kindergarten.

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

6 **"§235- On-site early childhood facility tax credit.**

7 (a) There shall be allowed to each taxpayer subject to the
8 taxes imposed by this chapter, an income tax credit that shall
9 be deductible from the taxpayer's net income tax liability, if
10 any, imposed by this chapter for the taxable year in which the
11 credit is properly claimed.

12 In the case of a partnership, S corporation, estate, or
13 trust, the tax credit allowable shall be for qualified costs
14 incurred by the entity for the taxable year. The cost upon
15 which the tax credit is computed shall be determined at the
16 entity level. Distribution and share of the credit shall be
17 determined pursuant to section 704(b) of the Internal Revenue
18 Code.

19 (b) Every taxpayer claiming a tax credit under this
20 section, no later than ninety days following the end of each



1 taxable year in which qualified costs were paid or incurred,
2 shall submit to the department of taxation:

3 (1) A certificate of approval or similar document
4 verifying compliance with state and county laws,
5 rules, and ordinances pertaining to licensure for the
6 on-site early childhood facility; and

7 (2) A statement of the qualifying costs.

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

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

12 (2) The on-site early childhood facility shall operate for
13 a minimum of ten years or the credit may be
14 recaptured; provided that the credit shall not be
15 subject to recapture if the department of human
16 services certifies that the employer ceased operating
17 the facility for reasonable cause, including going out
18 of business, being forced to close the facility due to
19 a natural disaster or other unforeseeable
20 circumstances, or closing the facility temporarily



1 with the intention of reopening it for reasons such as
2 facility refurbishment or improvement; and
3 (3) The total amount of tax credits allowed under this
4 section shall not exceed \$ for all taxpayers
5 in any fiscal year. If the total amount of credits
6 claimed under this section by all taxpayers in any
7 fiscal year exceeds \$, the credit shall be
8 allowed to taxpayers based on the date of
9 certification by the department of human services on a
10 first come, first served basis. Any taxpayer who is
11 certified by the department of human services in a
12 fiscal year and who is not eligible to claim the
13 credit due to the \$ cap having been exceeded
14 for that fiscal year shall be eligible to claim the
15 credit in the subsequent year and shall receive
16 priority for the credit over taxpayers who receive
17 certification in the subsequent fiscal year.

18 (d) If the tax credit under this section exceeds the
19 taxpayer's net income tax liability, the excess of credits over
20 payments due shall be refunded to the taxpayer; provided that no



1 refunds or payments on account of the tax credits allowed by
2 this section shall be made for amounts less than \$1.

3 (e) Every claim, including amended claims, for the tax
4 credit under this section shall be filed on or before the end of
5 the twelfth month following the close of the taxable year for
6 which the tax credit may be claimed. Failure to comply with the
7 foregoing provision shall constitute a waiver of the right to
8 claim the credit.

9 (f) No taxpayer shall claim any other credit under this
10 chapter for the same qualified costs used to properly claim a
11 tax credit under this section for the taxable year.

12 (g) The director of taxation:

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

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

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

20 (h) This section shall not apply to any amount paid or
21 incurred before January 1, 2022.



1 (i) For the purposes of this section:

2 "Qualified costs" means the expenses incurred in acquiring,
3 constructing, and establishing a qualified on-site early
4 childhood facility and the associated operating costs; provided
5 that qualified costs shall not include costs paid or incurred
6 for insurance.

7 "Qualified on-site early childhood facility" means an on-
8 site early childhood facility, offered by an employer to all
9 employees, that is:

10 (1) Licensed and approved by the department of human
11 services; and

12 (2) Accredited by a recognized national early childhood
13 accrediting agency within two years of initial
14 operation."

15 SECTION 3. There is established one full-time equivalent
16 (1.0 FTE) on-site early childhood facility coordinator position
17 in the executive office on early learning to assist with
18 licensure and accreditation requirements, work with providers,
19 and ensure appropriate facility design of on-site early
20 childhood facilities established by employers in the State.



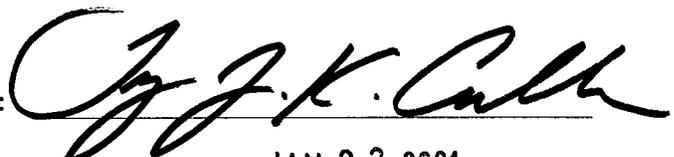
1 SECTION 4. There is appropriated out of the general
 2 revenues of the State of Hawaii the sum of \$ or so
 3 much thereof as may be necessary for fiscal year 2021-2022 and
 4 the same sum or so much thereof as may be necessary for fiscal
 5 year 2022-2023 for one full-time equivalent (1.0 FTE) on-site
 6 early childhood facility coordinator position in the executive
 7 office on early learning to assist with licensure and
 8 accreditation requirements, work with providers, and ensure
 9 appropriate facility design of on-site early childhood
 10 facilities established by employers in the State.

11 The sums appropriated shall be expended by the department
 12 of education for the purposes of this Act.

13 SECTION 5. New statutory material is underscored.

14 SECTION 6. This Act shall take effect on July 1, 2021;
 15 provided that section 2 shall apply to taxable years beginning
 16 after December 31, 2021.

17

INTRODUCED BY: 
 JAN 22 2021



H.B. NO. 514

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 1.0 FTE on-site early childhood facility coordinator position. Applies to taxable years beginning after 12/31/2021.

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