
A BILL FOR AN ACT

RELATING TO TAX CREDIT FOR ON-SITE EARLY CHILDHOOD FACILITIES.

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

1 SECTION 1. The legislature finds that the cost of child
2 care in Hawaii is one of the highest in the nation. The annual
3 cost of child care in the State can exceed the annual in-state
4 tuition at the University of Hawaii at Manoa. In many cases,
5 families are choosing to have one parent leave the workforce
6 instead of paying for child care because the cost can equal what
7 one full-time working parent would make in a year after taxes.

8 The legislature further finds that more of Hawaii's
9 children are entering kindergarten without the physical,
10 cognitive, linguistic, social, and emotional skills necessary to
11 prepare them for success in school life. The link between
12 school readiness and success in school is indisputable.
13 Kindergarten teachers within the department of education report
14 that many of the children who do not attend pre-kindergarten
15 programs are developmentally behind by eighteen to twenty-four
16 months compared to their peers who attend preschool.



1 The legislature also finds that employers who create on-
2 site early childhood facilities see greater employee retention
3 and performance, lower absenteeism, and a more productive and
4 positive workplace environment. On-site early childhood
5 facilities at workplaces may help parents to address concerns of
6 child care costs and provide more opportunities for access to
7 early childhood learning programs.

8 The purpose of this Act is to expand child care options for
9 parents and increase the number of high-quality early childhood
10 programs by establishing an income tax credit for employers who
11 create on-site early childhood facilities.

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

15 "§235- On-site early childhood facility tax credit. (a)
16 There shall be allowed to each taxpayer subject to the taxes
17 imposed by this chapter, an income tax credit that shall be
18 deductible from the taxpayer's net income tax liability, if any,
19 imposed by this chapter for the taxable year in which the credit
20 is properly claimed. In the case of a partnership, S
21 corporation, estate, or trust, the tax credit allowable shall be



1 for qualified costs incurred by the entity for the taxable
2 year. The cost upon which the tax credit is computed shall be
3 determined at the entity level. Distribution and share of the
4 credit shall be determined pursuant to section 704(b) of the
5 Internal Revenue Code.

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

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

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

15 (c) The department of taxation shall:

16 (1) Maintain records of the names and addresses of the
17 taxpayers claiming the credit under this section and the total
18 amount of the qualified costs upon which the tax credit is
19 based;

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



1 (3) Total all qualified costs that the department of
2 taxation certifies; and

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

6 Upon each determination made under this subsection, the
7 department of taxation shall issue a letter to the taxpayer
8 verifying the information submitted to that department,
9 including the amount of qualified costs and the credit amount
10 qualified for in each taxable year a credit is claimed. The
11 taxpayer shall file the letter from the department of taxation
12 with the taxpayer's tax return. The director of taxation may
13 audit and adjust the tax credit amount to conform to the
14 information filed by the taxpayer.

15 (d) The department of human services shall provide a
16 certificate of approval to qualified on-site early childhood
17 facilities implemented by taxpayers. In determining whether to
18 grant approval to an on-site early childhood facility, the
19 department of human services shall consider the following
20 criteria:



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

4 (2) Participation rate of employees;

5 (3) Quality of the early childhood programs being
6 provided; and

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

9 The department of human services shall adopt rules pursuant
10 to chapter 91 to implement the certification requirements under
11 this section.

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

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

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

19 (2) The total amount of tax credits allowed under this
20 section shall not exceed \$ _____ for all taxpayers in any
21 fiscal year. If the total amount of credits claimed under this



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

11 (g) If the tax credit under this section exceeds the
12 taxpayer's net income tax liability, the excess shall not be
13 refunded to the taxpayer; provided that no payments of the tax
14 credits allowed by this section shall be made for amounts less
15 than \$1.

16 (h) Any credit under this section shall be recaptured
17 following the close of the taxable year for which the credit is
18 claimed if:

19 (1) The on-site early childhood facility fails to operate
20 for a minimum of ten years; provided that the credit shall not
21 be subject to recapture if the department of human services



1 certifies that the employer ceased operating the facility for
2 reasonable cause, including, but not limited to, going out of
3 business, being forced to close due to natural disaster or other
4 unforeseeable circumstances, and closing the facility
5 temporarily for reasons such as facility refurbishment or
6 improvement with the intention of reopening it; or

7 (2) The credit was claimed for acquiring, constructing, or
8 establishing a facility that is not certified under subsection
9 (d) within one hundred eighty days of the completion of its
10 acquisition, construction, or establishment.

11 The recapture shall be equal to one hundred per cent of the
12 amount of the total tax credit claimed under this section in the
13 preceding ten taxable year and shall be added to the taxpayer's
14 tax liability for the taxable year in which the recapture occurs
15 pursuant to this subsection.

16 (i) 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 (j) 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 (k) 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 the tax
9 credit made under this section; and

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

12 (1) This section shall not apply to any amount paid or
13 incurred before January 1, 2022.

14 (m) 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 is:

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

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

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

14 SECTION 4. There is appropriated out of the general
15 revenues of the State of Hawaii the sum of \$ or so
16 much thereof as may be necessary for fiscal year 2022-2023 and
17 the same sum or so much thereof as may be necessary for fiscal
18 year 2022-2023 for one full-time equivalent (1.0 FTE) on-site
19 early childhood facility coordinator position in the executive
20 office on early learning to assist with licensure and
21 accreditation requirements, work with providers, and ensure



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1 appropriate facility design of on-site early childhood
2 facilities established by employers in the State.

3 The sums appropriated shall be expended by the department
4 of 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, 2023;
7 provided that section 2 shall apply to taxable years beginning
8 after December 31, 2022.

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INTRODUCED BY: *Jan Muth*
JAN 25 2022



H.B. NO. 2215

Report Title:

On-site Early Childhood facilities; 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 12/31/2022. Takes effect on 7/1/2023.

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