

JOSH GREEN, M.D.  
GOVERNOR



KEITH T. HAYASHI  
SUPERINTENDENT

STATE OF HAWAII  
DEPARTMENT OF EDUCATION  
KA 'OIHANA HO'ONA'AUAO  
P.O. BOX 2360  
HONOLULU, HAWAII 96804

**Date:** 02/07/2023

**Time:** 02:00 PM

**Location:** 309 VIA VIDEOCONFERENCE

**Committee:** House Education

**Department:** Education

**Person Testifying:** Keith T. Hayashi, Superintendent of Education

**Title of Bill:** HB 1327 RELATING TO TAX CREDITS.

**Purpose of Bill:** Establishes a state income tax credit for qualified expenses incurred by prekindergarten through twelfth-grade teachers, instructors, school librarians, counselors, principals, registrars, or aides in a school.

**Department's Position:**

The Hawaii State Department of Education (Department) provides comments regarding HB 1327. The Department appreciates efforts to address the cost of living for education-related personnel as defined in the bill as a "qualified taxpayer." However, the current definition of a "qualified taxpayer" could exclude some employees from being eligible for the tax credit. Also, determining whether each employee meets the work hours criteria of at least nine hundred hours during a school year could be difficult. Therefore, if the intention is to provide a tax credit for most, if not all personnel, providing instruction to students and employed for a substantial number of hours, the Department recommends the following language:

"Qualified taxpayer" means, with respect to any taxable year, an individual who is employed at a school as a salaried employee.

If the bill passes, the Department defers to the Department of Taxation for its proper implementation.

Thank you for the opportunity to provide testimony on HB 1327 relating to tax credits.



JOSH GREEN M.D.  
GOVERNOR

SYLVIA LUKE  
LT. GOVERNOR



STATE OF HAWAII  
**DEPARTMENT OF TAXATION**

Ka 'Oihana 'Auhau  
P.O. BOX 259

HONOLULU, HAWAII 96809  
PHONE NO: (808) 587-1540  
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GARY S. SUGANUMA  
DIRECTOR

KRISTEN M.R. SAKAMOTO  
DEPUTY DIRECTOR

**TESTIMONY OF  
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

**TESTIMONY ON THE FOLLOWING MEASURE:**

H.B. No. 1327, Relating to Tax Credits

**BEFORE THE:**

House Committee on Education

**DATE:** Tuesday, February 7, 2023

**TIME:** 2:00 p.m.

**LOCATION:** State Capitol, Room 309

Chair Woodson, Vice-Chair Marten, and Members of the Committee:

The Department of Taxation ("Department") offers the following comments regarding H.B. 1327 for your consideration.

H.B. 1327 adds a new section to chapter 235, Hawaii Revised Statutes (HRS), that provides a nonrefundable income tax credit of up to \$500 for "qualified expenses" per taxable year for an individual employed as a prekindergarten through twelfth-grade teacher, instructor, school librarian, counselor, principal, registrar, or aide. The term "qualified expenses" is defined as expenses paid or incurred in connection with books, supplies, computer equipment, and supplementary classroom materials.

The measure is effective upon approval and applies to taxable years beginning after December 31, 2022.

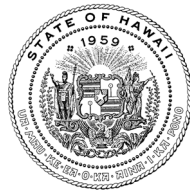
The Department notes that under current law, eligible educators are provided a deduction for qualifying classroom expenses. To avoid duplicative tax benefits for the same expenses, the Department recommends amending subsection (d) as follows:

(d) No other tax credit or deduction shall be claimed under this chapter for the qualified expenses used to properly claim a tax credit under this section for the taxable year.

Further, due to the number of bills with tax law changes that have been introduced this year, the Department may not have the resources to implement all measures passed this session in time for tax year 2023. The Department will continue to monitor the status of proposed legislation and will advise whether some changes will require a later effective date.

Thank you for the opportunity to provide comments on this measure.

JOSH GREEN, M.D.  
GOVERNOR



LUIS P. SALAVERIA  
DIRECTOR

SABRINA NASIR  
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM  
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND  
OFFICE OF THE PUBLIC DEFENDER

**STATE OF HAWAII**  
**DEPARTMENT OF BUDGET AND FINANCE**  
*Ka 'Oihana Mālama Mo'ohelu a Kālā*  
P.O. BOX 150  
HONOLULU, HAWAII 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE  
BUDGET, PROGRAM PLANNING AND MANAGEMENT DIVISION  
FINANCIAL ADMINISTRATION DIVISION  
OFFICE OF FEDERAL AWARDS MANAGEMENT

**WRITTEN ONLY**  
TESTIMONY BY LUIS P. SALAVERIA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
TO THE HOUSE COMMITTEE ON EDUCATION  
ON  
HOUSE BILL NO. 1327

**February 7, 2023**  
**2:00 p.m.**  
**Room 309 and Videoconference**

RELATING TO TAX CREDITS

The Department of Budget and Finance (B&F) offers comments on this bill.

House Bill No. 1327 establishes an income tax credit for qualified expenses incurred by pre-kindergarten through 12th-grade teachers, instructors, school librarians, counselors, principals, registrars or aides in a school.

Rather than taking a piecemeal approach, B&F strongly believes that the holistic approach in the Green Affordability Plan, House Bill No. 1049, is a more suitable option in providing needed financial relief to Hawai'i's residents.

Thank you for your consideration of our comments.



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

February 7, 2023

**TO:** Representative Justin H. Woodson, Chair  
Representative Lisa Marten, Vice Chair  
House Committee on Education

**FROM:** Yuuko Arikawa-Cross, Director  
Executive Office on Early Learning

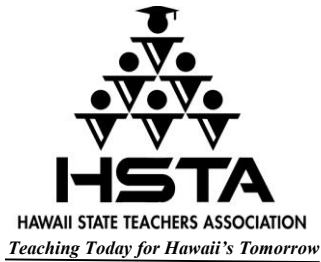
**SUBJECT:** **Measure:** H.B. No 1327 – RELATING TO TAX CREDITS  
**Hearing Date:** Tuesday, February 7, 2023  
**Time:** 2:00 p.m.  
**Location:** Conference Room 309

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

EOEL supports the intent of H.B. No. 1327 and defers to the Department of Taxation (DoTAX).

This bill provides teachers and other school personnel additional financial support for classroom expenses through a state income tax credit. Teachers and educational assistants in EOEL public pre-kindergarten programs may benefit from this bill. We appreciate the Legislature's efforts to provide additional financial support to teachers and other personnel, who provide significantly beneficial services to our children and students across the State.

Thank you for the opportunity to provide testimony.



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Osa Tui, Jr.  
President

Logan Okita.  
Vice President

Lisa Morrison  
Secretary-Treasurer

Ann Mahi  
Executive Director

## TESTIMONY BEFORE THE HOUSE COMMITTEE ON EDUCATION

RE: HB 1327 - RELATING TO TAX CREDITS

TUESDAY, FEBRUARY 7, 2023

OSA TUI, JR., PRESIDENT  
HAWAII STATE TEACHERS ASSOCIATION

Chair Woodson and Members of the Committee:

The Hawaii State Teachers Association **supports HB 1327**, relating to tax credits. If passed, this bill establishes a state income tax credit for qualified expenses incurred by prekindergarten through twelfth-grade teachers, instructors, school librarians, counselors, principals, registrars, or aides in a school. In short, this will offset the cost of supplies purchased by teachers using personal funds, expenses that are beyond what is allocated in academic and financial plans and that far exceed the \$300 federal educator expense deduction.

In a recent survey this month to its members across the islands, Hawai'i State Teachers Association found the survey respondents reported spending an average of \$953 of their own money a year on various classroom supplies.

Educators who answered the survey said they spent anywhere from \$75 to \$4,000 annually out of their own funds on various classroom supplies, conferences and many other expenses.

An O'ahu high school teacher reported spending hundreds in personal money every year on basics, because "sometimes parents are unable to provide classroom supplies, so pencils, paper, composition books, etc."

An educator at a Hilo-area intermediate school listed annual personal spending of \$1,000 on "typical classroom supplies: tablets, folders, binders, binder paper, construction paper, pencils, pens, tissue paper, paper towel, manila folders, sheet protectors. I also purchase snacks on a monthly basis and use it as a reward for my students. Chips, cookies, granola."

Another O'ahu teacher reported spending between \$1,000 to \$1,500 a year on "subscriptions to educational apps and sites, art supplies, books for class library, school supplies for kids who cannot afford or parents don't buy, cleaning supplies, science experiment supplies, field trip fees for children who cannot afford it, lei for

speakers/visitors, parking fees for workshops, professional development, recess equipment, and snacks for hungry children who miss 'free' breakfast on campus because they are tardy, etc.”

A teacher on Maui reported spending \$2,000 to \$3,000 out of her own pocket each year on “books for classroom library, prizes for classroom store, decorations for classroom, student Christmas gifts, student end-of-the-year gifts, art supplies, classroom treats, teacher supplies, classroom supplies.”

A Kaua‘i teacher reported spending \$3,000 a year on lab supplies, project supplies for class and science fairs, snacks for students, professional development and conferences, classroom/school supplies, and furniture.

With the nation’s lowest cost of living adjusted salaries, increased healthcare costs, and high housing costs, teachers are struggling here. Their students’ families are struggling, and teachers are spending more and more out of their own pockets for their students. In the case of classroom supplies, it’s true that teachers “do it for the kids,” purchasing materials out of their own paychecks as sometimes just the waiting for departmental or purchase order approval would often disrupt planned curricula and, in turn, student learning. Teachers won’t abide that. Most times, the funds they need are not even available, even if their administrator would love to give it to them.

Notably, most teachers do not earn enough to claim the benefits of tax itemization—they cannot, for example, take mortgage deductions for homes that they cannot afford to buy.

Teachers should be repaid for personally purchasing school supplies. Yes, this shouldn’t be happening, our public schools, including our public charter schools, should be funded better, but they are not at this time. Accordingly, the Hawaii State Teachers Association asks your committee to **support** this bill.





*Hawai'i Children's Action Network Speaks! is a nonpartisan 501c4 nonprofit committed to advocating for children and their families. Our core issues are safety, health, and education.*

To: Representative Woddson, Chair  
Representative Marten, Vice Chair  
House Committee on Education

Re: HB1327, relating to emergency medical response  
2:00 p.m., Feb. 7, 2023

Aloha Chair Woodson, Vice Chair Marten and committee members:

On behalf of Hawai'i Children's Action Network (HCAN) Speaks!, mahalo for the opportunity to testify on House Bill 1327, relating to tax credits. **We support the intent of HB1327 and respectfully request an amendment to include early childhood care and education professionals.**

Much like their elementary and secondary school counterparts, early childhood care and education providers often spend significant amounts of money purchasing supplies for their classrooms. At the same time, early childhood care and education professionals face even lower wages than their K-12 counterparts. A 2022 study completed by the University of Hawai'i Early Childhood Educator Excellence and Equity Project showed that **early childhood care and education professionals earned between \$13 and \$17 per hour on average.**

Early childhood care and education professionals provide our youngest keiki with the foundations they need to be successful in school and life. The work these professionals do prepares them with social, emotional and motor skills and prepares them with the fundamentals of math and literacy. These are essential components to our children's lifelong education.

We appreciate that this bill is trying to provide additional relief to educators who use their limited pay selflessly for their classrooms and children. **We support this relief.**

**However, we respectfully request an amendment so that early childhood care and education professionals can be included in this relief.** Specifically, we request the following language be added to bill:

"Qualified taxpayer" means, with respect to any taxable year, an individual who is employed as a prekindergarten through twelfth-grade teacher, instructor, school librarian, counselor, principal, registrar, or aide in a school, is employed as a director teacher, assistant teacher, aide, lead caregiver,

caregiver, child care or aide in a licensed child care center or is a registered family child care home provider for at least nine hundred hours during a school year.

Thank you for the opportunity to provide comments on this HB1327. **We hope that an inclusive approach will give relief to all of our educators from birth through high school.**

Mahalo,

Ke'ōpū Reelitz  
Director of Early Learning and Health Policy

# TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME TAX, Credit for Educational Supplies

BILL NUMBER: HB 1327

INTRODUCED BY: WOODSON, AMATO, BELATTI, CHUN, COCHRAN, GANADEN, GARCIA, GARRETT, HASHIMOTO, KAPELA, KILA, KITAGAWA, KOBAYASHI, LOWEN, MARTEN, MATSUMOTO, MIZUNO, MORIKAWA, NISHIMOTO, PERRUSO, POEPOE, TAKENOUCI, TAM, TARNAS, TODD, WARD

EXECUTIVE SUMMARY: Establishes a state income tax credit for qualified expenses incurred by prekindergarten through twelfth-grade teachers, instructors, school librarians, counselors, principals, registrars, or aides in a school.

SYNOPSIS: Adds a new section to HRS chapter 235 to allow qualifying taxpayers to claim a nonrefundable tax credit of up to \$500 for “qualified expenses.”

Defines “qualified taxpayer” as, with respect to any taxable year, an individual who is employed as a prekindergarten through twelfth-grade teacher, instructor, school librarian, counselor, principal, registrar, or aide in a school for at least nine hundred hours during a school year. “Qualified taxpayer” includes a classroom teacher and special education teacher.

Defines “qualified expenses” as expenses paid or incurred by a qualified taxpayer who incurs the expenses in connection with books, supplies (other than athletic supplies for courses of instruction in health or physical education), computer equipment (including related software and services), and supplementary materials used by the qualifying taxpayer in the classroom.

Specifies that no other tax credit or deduction may be claimed for Hawaii income tax purposes for the certain expenses used to claim this tax credit for the taxable year.

The credit is not refundable but may be carried forward until exhausted.

Claims for the credit, including any amended claims, must be filed on or before the end of the 12th month following the close of the taxable year. Failure to do so will result in waiver of the credit.

Requires the director of taxation to prepare any necessary forms. Allows the department to require the taxpayer to furnish reasonable substantiation and adopt necessary rules pursuant to HRS chapter 91 to carry out this section.

EFFECTIVE DATE: Taxable years beginning after December 31, 2022.

STAFF COMMENTS: This measure proposes a tax credit of \$500 for 100% of certain out-of-pocket expenses incurred by a teacher. The credit proposed in this measure would be granted without regard to a taxpayer’s need for tax relief. It should be remembered that using the tax

system to achieve social goals, as this measure proposes, is an inefficient means of accomplishing such goals.

Most of us have heard stories about teachers in the public school system who have been forced to use their own funds for classroom materials, and we know that isn't right. But the problem is with the bureaucratic system of requesting the funds and having the system take as much as six months to approve the money. The money has been appropriated, and it is the system that is frustrating. Thus, instead of using the tax system to "compensate" these teachers, first consideration should be given to "fixing the system."

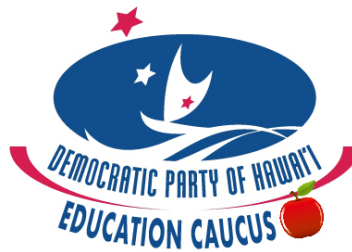
The suggestion has been made time and time again to give teachers debit cards of some type for the classroom supplies budget under EDN 100. The cards could be credited with a predetermined amount and could be encoded so that only defined classroom supplies could be purchased with that debit card. Such a system already has been employed to administer the state's food stamp program, so why can't a similar system be established for classroom supplies rather than mucking up the tax system and ignoring the budgeting and appropriation processes?

Instead of just throwing money at a problem, in this case a tax credit, lawmakers should demand that the department fix the problem with the money that is there. It is the bureaucracy that needs to be addressed. Since the tax credit is an indirect additional burden on all remaining taxpayers as it shifts the burden to those not so favored, this proposal amounts to a tax increase and steals money from other programs.

Other technical considerations that lawmakers should consider if the bill is to go forward are:

- There appears to be no requirement that the expense be unreimbursed. To prevent unintended double benefit, the word "unreimbursed" should be added to the qualified expense definition, and/or there should be recapture consequences if credited amounts are reimbursed.

Digested: 2/4/2023



## HOUSE BILL 1327, RELATING TO TAX CREDITS

FEBRUARY 7, 2023 · HOUSE EDUCATION  
COMMITTEE · CHAIR REP. JUSTIN H. WOODSON

**POSITION:** Support.

**RATIONALE:** The Democratic Party of Hawai'i Education Caucus supports HB 1327, relating to tax credits, which establishes a state income tax credit for qualified expenses incurred by prekindergarten through twelfth-grade teachers, instructors, school librarians, counselors, principals, registrars, or aides in a school.

According to the National School Supply and Equipment Association, public school teachers annually spend \$1.6 billion of their discretionary income on supplementary school supplies and instructional materials. On average, teachers surveyed spent a total of \$485 on school supplies and instructional materials, with more than 10 percent spending over \$1,000 of personal income each school year to educate their keiki. Those figures likely rose during the COVID-19 pandemic, as teachers were forced to purchase cleaning supplies and personal protective equipment for themselves, their students, and their classrooms, since PPE supplies were not always obtainable from the Hawai'i Department of Education.

That trend is, if anything, worse in Hawai'i, which consistently ranks at the bottom in national teacher compensation studies. Pay cuts, rising health care costs, adjusted insurance co-pays, and the loss of the state's \$1,690-per-special-education-teacher classroom supply fund have all

aggravated the financial burden borne by teachers' pocketbooks. In a recent survey conducted by HSTA, 47 percent of respondents cited personal expenditures between \$250 and \$500 each year on classroom supplies, with many claiming expenditures in excess of \$1,000. Lawmakers must take action to lighten their financial load.

Ensuring that educators have more money in their pocketbooks effectively increases their purchasing power, puts money back into the local economy, and incentivizes the teaching profession at a time when our state's high cost- of-living and low adjusted-average income compel many would-be teachers to choose more highly compensated professions (or, even worse, leave the state altogether). Today, approximately half of Hawai'i's teachers leave our state's classrooms every five years. Therefore, to recruit and retain quality teachers for our schools, we should provide fiscal incentives that offset our state's exorbitant and every-increasing cost-of-living for supplies that support the learning growth of our keiki.

**Kris Coffield · Chairperson, DPH Education Caucus · (808) 679-7454 · [kriscoffield@gmail.com](mailto:kriscoffield@gmail.com)**

**HB-1327**

Submitted on: 2/5/2023 12:57:42 PM

Testimony for EDN on 2/7/2023 2:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Will Caron	Individual	Support	Written Testimony Only

Comments:

Please support HB1327.

**HB-1327**

Submitted on: 2/6/2023 9:01:22 AM

Testimony for EDN on 2/7/2023 2:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Alexandra Chou	Individual	Support	Written Testimony Only

Comments:

teachers spend their own money, while not making a lot, on their school supplies and making their classroom interactive and engaging. They should be allowed to report it as a write off