

STAND. COM. REP. NO.

334

Honolulu, Hawaii

FEB 11, 2025

RE: H.B. No. 753

H.D. 1

Honorable Nadine K. Nakamura
Speaker, House of Representatives
Thirty-Third State Legislature
Regular Session of 2025
State of Hawaii

Madame:

Your Committee on Economic Development & Technology, to which was referred H.B. No. 753, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO THE HOUSEHOLD AND DEPENDENT CARE SERVICES TAX CREDIT,"

begs leave to report as follows:

The purpose of this measure is to:

- (1) Increase a taxpayer's applicable percentage of employment-related expenses that is used to calculate the Household and Dependent Care Services Tax Credit; and
- (2) Align the sunset dates for the temporary increase in applicable percentage proposed by this measure and the temporary increase in maximum employment-related expenses enacted by Act 163, Session Laws of Hawaii 2023, both of which are used to calculate the Household and Dependent Care Services Tax Credit, by extending the sunset date of the temporary increase in maximum employment-related expenses under Act 163, Session Laws of Hawaii 2023.

Your Committee received testimony in support of this measure from AARP Hawai'i; the Hawai'i Family Caregiver Coalition;

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Indivisible Hawai'i; Early Childhood Action Strategy; AAUW of Hawaii; Education Caucus of the Democratic Party of Hawai'i; Catholic Charities Hawai'i; Hawai'i Children's Action Network Speaks!; Puakalehua Early Learning Consortium; Save Medicaid Hawaii; Hawai'i Health & Harm Reduction Center; Aloha United Way and the ALICE Initiative; and numerous individuals. Your Committee received comments on this measure from the Department of Taxation; Tax Foundation of Hawaii; and one individual.

Your Committee finds that child care costs in the State are rising, with the average cost of full-time child care in Hawaii currently exceeding \$13,000 a year. The Household and Dependent Care Services Tax Credit offers some financial relief from child care costs through a tax credit calculated by taking the applicable percentage, based on annual gross income, of employment-related expenses incurred. The Legislature attempted to strengthen the Household and Dependent Care Services Tax Credit with the enactment of Act 163, Session Laws of Hawaii 2023 (Act 163), which temporarily raises the amount of employment-related expenses that may be taken into account for the purposes of the credit. However, Act 163 did not also increase the applicable percentage portion of the calculation of the tax credit, resulting in significantly less relief. This measure addresses the shortcomings of Act 163 by temporarily increasing the applicable percentage and making the temporary increases to the applicable percentage and employment-related expenses coincide.

As affirmed by the record of votes of the members of your Committee on Economic Development & Technology that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 753, H.D. 1, and recommends that it be referred to your Committee on Finance.



Respectfully submitted on
behalf of the members of the
Committee on Economic
Development & Technology,



GREGGOR ILAGAN, Chair



