A BILL FOR AN ACT

RELATING TO ON-SITE EARLY CHILDHOOD FACILITIES.

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

SECTION 1. The legislature finds that Hawaii has one of the highest costs for child care in the nation. The annual tuition cost of many child care facilities in Hawaii exceeds the annual in-state tuition at the University of Hawaii at Manoa. In many cases, the costs for child care for two children are as much as one full-time working parent would make in a year after taxes. Not surprisingly, in many families, one parent will leave the workforce to care for their children on a full-time basis instead of enrolling the children in child care.

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

The legislature also finds that the creation of on-site early childhood facilities by employers addresses concerns of child care costs while also providing access to early childhood learning programs. Employers who create on-site early childhood facilities may see greater employee retention and performance, lower absenteeism, and a more productive and positive workplace environment.

The purpose of this Act is to establish an income tax credit for employers who create on-site early childhood facilities to increase access to high-quality early childhood programs from child care to preschool and junior kindergarten.

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

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

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

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

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

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

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

(c) The department of human services shall:

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

(2) Verify the amount of the qualified costs;

(3) Total all qualified costs that the department of human
services certifies; and

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

Upon each determination made under this subsection, the
department of human services shall issue a letter to the
taxpayer verifying the information submitted to that department,
including the amount of qualified costs and the credit amount
qualified for in each taxable year a credit is claimed. The
taxpayer shall file the letter from the department of human
services with the taxpayer's tax return with the department of
taxation. Notwithstanding the authority of the department of
human services under this section, the director of taxation may
audit and adjust the tax credit amount to conform to the
information filed by the taxpayer.
(d) The department of human services shall provide a certificate of approval to qualified on-site early childhood facilities implemented by taxpayers. In determining whether to grant approval to an on-site early childhood facility, the department of human services shall consider the following criteria:

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

(2) Participation rate of employees;

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

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

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

(e) The director of human services, in consultation with the director of taxation, shall create a form that indicates a taxpayer is using an on-site early childhood facility.
(f) The tax credit shall be equal to twenty-five per cent of the taxpayer's qualified costs, subject to the following:

(1) The total credit allowed for a taxpayer in any taxable year shall not exceed $_______;

(2) The on-site early childhood facility shall operate for a minimum of ten years or the credit may be recaptured; provided that the credit shall not be subject to recapture if the department of human services certifies that the employer ceased operating the facility for reasonable cause, including going out of business, being forced to close the facility due to a natural disaster or other unforeseeable circumstances, or closing the facility temporarily with the intention of reopening it for reasons such as facility refurbishment or improvement; and

(3) The total amount of tax credits allowed under this section shall not exceed $_______ for all taxpayers in any fiscal year. If the total amount of credits claimed under this section by all taxpayers in any fiscal year exceeds $_______, the credit shall be allowed to taxpayers based on the date of
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1 certification by the department of human services on a
2 first come, first served basis. Any taxpayer who is
3 certified by the department of human services in a
4 fiscal year and who is not eligible to claim the
5 credit due to the $ _______ cap having been exceeded
6 for that fiscal year shall be eligible to claim the
7 credit in the subsequent year and shall receive
8 priority for the credit over taxpayers who receive
9 certification in the subsequent fiscal year.
10
11 (g) If the tax credit under this section exceeds the
12 taxpayer's net income tax liability, the excess of credits over
13 payments due shall be refunded to the taxpayer; provided that no
14 refunds or payments on account of the tax credits allowed by
15 this section shall be made for amounts less than $1.
16
17 (h) Every claim, including amended claims, for the tax
18 credit under this section shall be filed on or before the end of
19 the twelfth month following the close of the taxable year for
20 which the tax credit may be claimed. Failure to comply with the
21 foregoing provision shall constitute a waiver of the right to
22 claim the credit.
(i) No taxpayer shall claim any other credit under this chapter for the same qualified costs used to properly claim a tax credit under this section for the taxable year.

(j) The director of taxation:

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

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

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

(k) This section shall not apply to any amount paid or incurred before January 1, 2020.

(1) For the purposes of this section:

"Qualified costs" means the expenses incurred in acquiring, constructing, and establishing a qualified on-site early childhood facility and the associated operating costs; provided that qualified costs shall not include costs paid or incurred for insurance.
"Qualified on-site early childhood facility" means an on-site early childhood facility, offered by an employer to all employees, that is:

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

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

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

SECTION 4. There is appropriated out of the general revenues of the State of Hawaii the sum of $ or so much thereof as may be necessary for fiscal year 2019-2020 and the same sum or so much thereof as may be necessary for fiscal year 2020-2021 for one full-time equivalent (1.0 FTE) on-site early childhood facility coordinator position in the executive office on early learning to assist with licensure and accreditation.
requirements, work with providers, and ensure appropriate
facility design of on-site early childhood facilities
established by employers in the State.

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

SECTION 5. New statutory material is underscored.

SECTION 6. This Act shall take effect on July 1, 2019;
provided that section 2 shall apply to taxable years beginning
after December 31, 2019.

INTRODUCED BY:
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 12/31/2019.

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