

STAND. COM. REP. NO. **697**

Honolulu, Hawaii

FEB 17, 2023

RE: H.B. No. 1049

H.D. 1

Honorable Scott K. Saiki
Speaker, House of Representatives
Thirty-Second State Legislature
Regular Session of 2023
State of Hawaii

Sir:

Your Committees on Education and Economic Development, to which was referred H.B. No. 1049 entitled:

"A BILL FOR AN ACT RELATING TO INCOME TAX,"

beg leave to report as follows:

The purpose of this measure is to:

- (1) Establish an income tax credit for teacher expenses;
- (2) Add an inflation index for income tax brackets, personal exemption amount, and standard deduction amounts;
- (3) Increase the amounts for the income tax brackets, personal exemption amounts, and standard deduction amounts for the 2023 tax year;
- (4) Increase the adjusted gross income amounts for the qualification for low-income tax credits; and
- (5) Increase the amount of certain income tax credits that a taxpayer may be eligible for.

Your Committees received testimony in support of this measure from the Office of the Governor, Department of Education, Department of Taxation, Department of Budget and Finance, Hawaii

2023-1716 HB1049 HD1 HSCR HMSO



State Teachers Association, Holomua Collaborative, Hawaii Appleseed Center for Law & Economic Justice, Hawaii Children's Action Network Speaks!, Early Childhood Action Strategy, Hawaiian Host Group, Commit to Keiki, HPM Building Supply, and numerous individuals. Your Committees received testimony in opposition to this measure from two individuals. Your Committees received comments on this measure from the Tax Foundation of Hawaii and Grassroot Institute of Hawaii.

Your Committees find that in a recent survey conducted by the Hawaii State Teachers Association to its members, educators reported spending anywhere from \$75 to \$400 of their own money annually on various classroom supplies. Your Committees further find that in addition to spending personal funds on classroom supplies, educators also have to consider the high costs of living in Hawaii, such as healthcare and housing. This measure helps alleviate the financial burden of paying for classroom and school supplies that teachers face by providing financial support through an income tax credit.

Your Committees further find that the high cost of living in Hawaii has made it difficult for low- and middle-income households and working families to afford basic necessities. This measure seeks to improve the lives of people throughout the State, especially families and individuals who are coping with the difficult cost of living and quality of life challenges.

Your Committees have amended this measure by:

- (1) Amending the definition of "qualifying taxpayer" to include prekindergarten teachers employed by the Department of Education, a charter school, or a private school;
- (2) Further amending the income tax credit for household renters;
- (3) For tax years beginning on or after January 1, 2024, modifies the personal exemption and itemized deduction amounts based on a cost-of-living adjustment factor rather than by an inflation adjustment;
- (4) For tax years beginning on or after January 1, 2024, modifies the child and dependent care credit, household



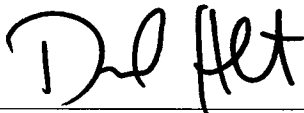
renters credit, and refundable food/excise credit based on a cost-of-living adjustment factor rather than by an inflation adjustment;

- (5) Providing that the income tax credit for expenses for household and dependent care services necessary for gainful employment, income tax credit for household renters, and refundable food/excise tax credit shall be disallowed if a final administrative or judicial decision was made that the taxpayer committed fraud with respect to the credits;
- (6) Changing its effective date to June 30, 3000; and
- (7) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

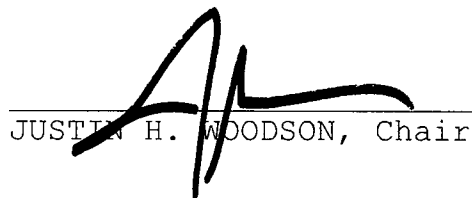
Your Committees respectfully request your Committee on Finance, should it deliberate on this measure, to consider the fiscal impacts this measure may have on the State as a whole and on individual taxpayers to determine if this measure should move forward.

As affirmed by the records of votes of the members of your Committees on Education and Economic Development that are attached to this report, your Committees are in accord with the intent and purpose of H.B. No. 1049, as amended herein, and recommend that it pass Second Reading in the form attached hereto as H.B. No. 1049, H.D. 1, and be referred to your Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committees on Education and
Economic Development,



DANIEL HOLT, Chair



JUSTIN H. WOODSON, Chair



