
A BILL FOR AN ACT

RELATING TO A LONG-TERM CARE TAX CREDIT.

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

1 SECTION 1. Chapter 235, Hawaii Revised Statutes, is
2 amended by adding a new section to be appropriately designated
3 and to read as follows:

4 "§235- Long-term care tax credit. (a) Each resident
5 individual taxpayer who files an individual income tax return
6 for a taxable year, and who is not claimed or is not otherwise
7 eligible to be claimed as a dependent by another taxpayer for
8 Hawaii state individual income tax purposes, may claim a long-
9 term care credit against the resident taxpayer's net individual
10 income tax liability for the taxable year for which the
11 individual's income tax return is being filed; provided that a
12 resident individual who has no income or no income taxable under
13 this chapter, and who is not claimed or is not otherwise
14 eligible to be claimed as a dependent by a taxpayer for Hawaii
15 state individual income tax purposes may claim this credit.

16 (b) The tax credit shall be an amount equal to the lesser
17 of:

18 (1) \$2,500; or



H.B. NO. 2016

1 (2) The phased-in percentage of long-term care insurance
 2 premium payments made by the resident taxpayer for the
 3 taxable year in which the payments were made; provided
 4 that a husband and wife filing separate tax returns
 5 for a taxable year for which a joint return could have
 6 been filed by them shall claim only the tax credit to
 7 which they would have been entitled under this section
 8 had a joint return been filed.

9 (c) For the purposes of this section, "long-term care
 10 insurance" shall have the same meaning as in section 431:10H-
 11 104.

12 For the purposes of this section, the phased-in percentage
 13 is:

14 (1) In calendar year 2007:

<u>Adjusted Gross Income</u>	<u>Phased-in Percentage</u>
<u>Under \$20,000</u>	<u>10.0%</u>
<u>\$20,000 and under \$30,000</u>	<u>7.5%</u>
<u>\$30,000 and under \$40,000</u>	<u>5.0%</u>
<u>\$40,000 and under \$50,000</u>	<u>2.5%</u>
<u>over \$50,000</u>	<u>0%</u>

21 (2) In calendar year 2008:

<u>Adjusted Gross Income</u>	<u>Phased-in Percentage</u>
------------------------------	-----------------------------

1	<u>Under \$30,000</u>	<u>20.0%</u>
2	<u>\$30,000 and under \$40,000</u>	<u>15.0%</u>
3	<u>\$40,000 and under \$50,000</u>	<u>10.0%</u>
4	<u>\$50,000 and under \$75,000</u>	<u>5.0%</u>
5	<u>over \$75,000</u>	<u>0%</u>

6 (3) In calendar year 2009 and thereafter:

7	<u>Adjusted Gross Income</u>	<u>Phased-in Percentage</u>
8	<u>Under \$30,000</u>	<u>30.0%</u>
9	<u>\$30,000 and under \$40,000</u>	<u>20.0%</u>
10	<u>\$40,000 and under \$50,000</u>	<u>10.0%</u>
11	<u>\$50,000 and under \$75,000</u>	<u>5.0%</u>
12	<u>over \$75,000</u>	<u>0%</u>

13 (d) If a deduction is taken under this chapter pursuant to
 14 section 213 (with respect to medical and dental expenses, etc.)
 15 of the Internal Revenue Code of 1986, as amended, no tax credit
 16 shall be allowed for that portion of the cost of long-term care
 17 insurance for which the deduction was taken.

18 (e) The credit applies to premium payments for a long-term
 19 care insurance contract that covers:

20 (1) The taxpayer;

21 (2) The taxpayer's dependent as defined in section 152 of
 22 the Internal Revenue Code of 1986, as amended;



1 (3) The taxpayer's spouse;

2 (4) A son or daughter of the taxpayer;

3 (5) A stepson or stepdaughter of the taxpayer;

4 (6) The father or mother of the taxpayer; and

5 (7) A stepfather or stepmother of the taxpayer.

6 (f) For the purpose of this credit, the "net income tax
7 liability" means net income tax liability reduced by all other
8 credits allowed under this chapter. If the tax credits claimed
9 by a resident taxpayer exceed the amount of income tax payment
10 due from the resident taxpayer, the excess of credits over
11 payments due shall be refunded to the resident taxpayer;
12 provided that tax credits properly claimed by a resident
13 individual who has no income tax liability shall be paid to the
14 resident individual; and provided further that no refunds or
15 payment on account of the tax credit allowed by this section
16 shall be made for amounts less than \$1.

17 (g) All claims, including any amended claims, for tax
18 credits under this section shall be filed on or before the end
19 of the twelfth month following the close of the taxable year for
20 which the credit may be claimed. Failure to comply with the
21 foregoing provision shall constitute a waiver of the right to
22 claim the credit."



H.B. NO. 2016

1 SECTION 2. New statutory material is underscored.

2 SECTION 3. This Act shall take effect upon its approval
3 and shall apply to taxable years beginning after December 31,
4 2006.

5
6

INTRODUCED BY:

Quinn W. Ching

Jeffrey A. Spang

Barbara Marumoto

Guthrie Hicken

Ann V. Smith

Mark Moser

Bill Stonebraker

Colleen Muey

Ed K.

Z. R.

JAN 20 2006



HB 2016

Report Title:

Long-Term Care Tax Credit

Description:

Provides a refundable net income tax credit to individuals purchasing long-term care insurance.

