
A BILL FOR AN ACT

RELATING TO TAX CREDITS.

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

1 SECTION 1. The legislature finds that the future of long-
2 term care for Hawaii's senior and adult disabled population is
3 one of the most critical health issues facing Hawaii in the
4 twenty-first century. The rapid growth of the elderly and
5 disabled populations will result in extraordinary demands on the
6 delivery of long-term care services.

7 Persons sixty years of age and older presently account for
8 almost one-fifth of the adult population in the State. By 2020,
9 they will constitute more than one-fourth of Hawaii's adult
10 population. Nearly one-third of this segment alone is expected
11 to have functional disabilities.

12 While the majority of persons receiving long-term care are
13 older adults, entire families are affected by the psychological,
14 financial, and social costs of providing long-term care to those
15 who have difficulty performing daily living activities. To
16 accommodate the demands of caregiving that grow as dependency
17 increases, caregivers reduce work hours, adjust or abandon
18 career and personal goals, and retire earlier than intended,



1 lowering their own pension and retirement benefit levels.
2 Caregivers are apt to be in poorer health than members of the
3 general population and often need care in their own advanced
4 years. Caregivers must be assisted by creating a network of
5 support services, including respite care and other support to
6 alleviate the daunting responsibility of providing daily care
7 for those who require it.

8 The costs of nursing home care is another problem faced by
9 many working families. In the case of elderly families, these
10 costs are sometimes twice their average annual disposable
11 income, threatening impoverishment upon those who are otherwise
12 self-sufficient. Thus, it is not surprising that approximately
13 eighty per cent of all nursing home residents are dependent on
14 medicaid, an entitlement program for persons with limited income
15 and assets.

16 Although families have expressed a preference for home- and
17 community-based care, these services and nursing home beds are
18 currently below requisite levels. The average annual cost for
19 nursing home care has been estimated eventually to reach in
20 excess of \$200,000 per person.

21 However, nursing home care is only one component of the
22 array of long-term care services that has been developed. Due



1 to cost factors, it is likely that home- and community-based
2 services will become more predominant. These services are
3 provided in and outside the home and are appropriate for those
4 who do not need to be institutionalized. In fact, an important
5 function of home- and community-based services is to prevent
6 institutionalization. Home- and community-based services
7 consist of a number of different modalities, some or all of
8 which may be used by the individual. These services include
9 adult day health services, case management services,
10 environmental modifications, homemaker services, personal care
11 services, personal emergency response systems, respite care
12 services, skilled nursing services, transportation services, and
13 similar services.

14 While home- and community-based services can provide care
15 that is less costly than institutional care, it is still
16 expensive. Although the legislature believes in a free market
17 economy, the private sector has not been able to develop
18 adequate financing mechanisms that appeal to the general
19 population. The insurance industry needs encouragement in
20 providing home- and community-based service options in their
21 long-term care coverage. Purchasers of such insurance also need
22 to be informed of home- and community-based service options as



1 an alternative to nursing home care. The general public must be
2 effectively educated and encouraged to purchase long-term care
3 insurance, possibly by being offered tax incentives in the form
4 of deductions or credits.

5 One innovative approach that has not been explored involves
6 providing long-term care insurance to employees in Hawaii where
7 small businesses employ the bulk of all workers.

8 The purpose of this Act is to create an incentive for small
9 businesses to purchase long-term care insurance for their
10 employees by providing a tax credit for the payment of their
11 long-term care insurance premiums.

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

15 **"§235- Small business long-term care insurance premium**
16 **tax credit.** (a) Each individual and corporate resident
17 taxpayer subject to the tax imposed by this chapter and who owns
18 a small business, as defined in this section, and files an
19 individual or corporate net income tax return for a taxable
20 year, regardless of adjusted gross income, may claim a small
21 business long-term care insurance premium credit against the
22 taxpayer's individual or corporate net income tax liability for



1 the taxable year in which the credit is claimed and for which
2 the income tax return is being filed; provided that an
3 individual or corporation that has no income taxable under this
4 chapter may claim this credit.

5 For the purposes of this section:

6 "Long-term care insurance" shall have the same meaning as
7 defined in section 431:10H-104.

8 "Small business" means a for-profit enterprise consisting
9 of fewer than one hundred full-time or part-time employees.

10 (b) The tax credit under this section, may be claimed by
11 either:

12 (1) An individual resident taxpayer or a husband and wife
13 filing a joint return who own a small business;
14 provided that a resident husband and wife filing
15 separate tax returns for a taxable year for which a
16 joint return could have been filed by them shall claim
17 only the tax credit to which they would have been
18 entitled under this section had a joint return been
19 filed; or

20 (2) A small business that is a corporation, partnership,
21 limited liability company, or other form of business
22 entity;



1 and may be claimed only once in the taxable year with respect to
2 the small business, regardless of the number of owners under
3 paragraph (1) or the number of partners or corporate officers
4 under paragraph (2).

5 (c) The amount of the tax credit shall be an amount equal
6 to the lesser of the following amounts:

7 (1) \$500 for each employee; or

8 (2) Fifty per cent of any long-term care insurance premium
9 payments made for each employee;

10 for the taxable year in which the payments were made.

11 (d) All claims, including any amended claims, for tax
12 credits under this section shall be filed on or before the end of
13 the twelfth month following the close of the taxable year for
14 which the credit may be claimed. Failure to comply with the
15 foregoing provision shall constitute a waiver of the right to
16 claim the credit.

17 (e) The director of taxation shall prepare any forms that
18 may be necessary to claim a credit under this section. The
19 director may also require the taxpayer to furnish information to
20 ascertain the validity of the claims for credits made under this
21 section and may adopt rules necessary to effectuate the purposes
22 of this section pursuant to chapter 91."



1 SECTION 3. New statutory material is underscored.

2 SECTION 4. This Act shall take effect on July 1, 2008, and

3 shall apply to taxable years beginning after December 31, 2008.



Report Title:

Long-Term Care Insurance; Tax Credit; Small Business

Description:

Grants tax credit to small businesses at the lesser of fifty per cent of premiums or \$500 per employee for purchase of long-term care insurance for its employees. Defines small business as businesses employing less than 100 full-time or part-time workers. (SD1)

