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## A BILL FOR AN ACT

RELATING TO TAXATION.

**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. Persons sixty years of age  
7 and older presently account for almost one-fifth of the adult  
8 population in the State. By 2020, they will constitute more  
9 than one-fourth of Hawaii's adult population. Nearly one-third  
10 of this segment alone is expected to have functional  
11 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  
15 accommodate the demands of caregiving that grow as dependency  
16 increases, caregivers reduce work hours, adjust or abandon  
17 career and personal goals, and retire earlier than intended,  
18 lowering their own pension and retirement benefit levels.



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

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

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

20       However, nursing home care is only one component of the  
21 array of long-term care services that has been developed. Due  
22 to cost factors, it is likely that home- and community-based



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

15 Although the legislature believes in a free market economy,  
16 the private sector has not been able to develop adequate  
17 financing mechanisms that appeal to the general population. The  
18 insurance industry needs encouragement in providing home- and  
19 community-based service options in their long-term care  
20 coverage. Purchasers of such insurance also need to be informed  
21 of home- and community-based service options as an alternative  
22 to nursing home care. The general public must be effectively



1 educated and encouraged to purchase long-term care insurance, by  
2 tax incentives in the form of tax deductions or tax credits.

3 The purpose of this Act is to establish a long-term care  
4 tax credit to be applied to premium payments for long-term care  
5 insurance.

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

9 "§235- Long-term care tax credit. (a) Each individual  
10 taxpayer who:

11 (1) Is subject to this chapter;

12 (2) Files an individual income tax return for a taxable  
13 year; and

14 (3) Is not claimed or is not otherwise eligible to be  
15 claimed as a dependent by another taxpayer for Hawaii  
16 state individual income tax purposes,

17 may claim a long-term care credit against the taxpayer's net  
18 individual income tax liability for the taxable year for which  
19 the individual's income tax return is being filed; provided that  
20 an individual who has no income taxable under this chapter and  
21 who is not claimed or is not otherwise eligible to be claimed as



1 a dependent by a taxpayer for Hawaii state individual income tax  
2 purposes may claim this credit.

3 (b) The tax credit shall apply to taxpayers with an  
4 adjusted gross income of:

5 (1) \$100,000 or less for a married couple filing jointly;

6 or

7 (2) \$50,000 or less for an individual taxpayer.

8 (c) The maximum amount of the tax credit for an individual  
9 taxpayer or a husband and wife filing a joint return for each  
10 taxable year shall be an amount equal to the lesser of the  
11 following amounts:

12 (1) \$2,500; or

13 (2) Fifty per cent of the cost of any long-term care  
14 insurance premium payments made by the individual  
15 taxpayer or the husband and wife filing a joint return  
16 for the taxable year in which the payments were made;  
17 provided that a husband and wife filing separate tax returns for  
18 a taxable year for which a joint return could have been filed by  
19 them shall claim only the tax credit to which they would have  
20 been entitled under this section had a joint return been filed.

21 (d) If a deduction is taken under this chapter pursuant to  
22 Section 213 (with respect to medical, dental, etc., expenses) of



1 the Internal Revenue Code of 1986, as amended, no tax credit  
2 shall be allowed for that portion of the cost of long-term care  
3 insurance for which the deduction was taken.

4 (e) The tax credit shall apply to premium payments for a  
5 long-term care insurance contract that covers:

6 (1) The taxpayer;

7 (2) The taxpayer's dependent as defined in Section 152 of  
8 the Internal Revenue Code of 1986, as amended;

9 (3) The taxpayer's spouse;

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

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

12 (6) The father or mother of the taxpayer; or

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

14 (f) No refunds or payment on account of the tax credit  
15 allowed by this section shall be made for amounts less than \$1.

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



1        (h) For the purposes of this section, "long-term care  
2 insurance" shall have the same meaning as defined in section  
3 431:10H-104."

4        SECTION 3. New statutory material is underscored.

5        SECTION 4. This Act shall take effect on July 1, 2008, and  
6 shall apply to taxable years beginning after December 31, 2008.



**Report Title:**

Tax Credit; Long-Term Care

**Description:**

Provides a long-term care tax credit. (SD1)

