STAND. COM. REP. NO. 3151

Honolulu, Hawaii

MAR 20 2008

RE: H.B. No. 584
H.D. 2
S.D. 2

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fourth State Legislature
Regular Session of 2008
State of Hawaii

Madam:

Your Committee on Economic Development and Taxation, to which was referred H.B. No. 584, H.D. 2, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this measure is to establish a long-term care tax credit to be applied to premium payments for long-term care insurance paid by individual taxpayers.

Testimony in support of this measure was submitted by the Department of Taxation, the American Council of Life Insurers, and the National Association of Insurance and Financial Advisors Hawaii. Comments on this measure were submitted by the University of Hawaii Social Science Public Policy Center and the Tax Foundation of Hawaii.

Your Committee finds that meeting the growing financial burden for long-term care is an urgent and complex issue facing federal and state governments, and that one potential way to reduce future costs borne by the State is to encourage individuals to purchase long-term care insurance policies. Your Committee further finds that such a strategy would unfetter funds from the government-funded Medicaid "safety-net" to serve those truly in need.

Your Committee received a fiscal impact statement from the Department of Taxation that this measure, as introduced, would result in an annual revenue loss to the State of approximately $6,000,000 beginning in fiscal year 2010. Their methodology is as follows:

The Department of Commerce and Consumer Affairs (DCCA) indicated that the estimated long-term care premiums are about $39,100,000 in fiscal year 2003. From preliminary discussions with the DCCA, the average premium per person is assumed to be about $2,500 per year and the number of insured persons is assumed to be about 15,640. Based upon adjusted gross income, the participation rate for single, head of household, and qualifying widower are assumed to be thirty per cent of the DCCA estimated number of insured persons. Joint taxpayers and married filing separately taxpayers are at sixty per cent and ten per cent respectively, resulting in a total of 6,506 qualifying taxpayers. The Department of Taxation also assumed that fifty per cent of qualifying taxpayers purchased long-term care policies through their employer and they paid fifty per cent of the premium.

Your Committee has amended this measure by:

(1) Deleting the fifty per cent limitation on the tax credit for long-term care insurance premiums and leaving the percentage amount of that limitation unspecified;

(2) Changing the effective date of the measure to July 1, 2050;

(3) Making the tax credit applicable to taxable years beginning after December 31, 2050; and

(4) Making technical, nonsubstantive amendments for the purposes of clarity.

As affirmed by the record of votes of the members of your Committee on Economic Development and Taxation that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 584, H.D. 2, S.D. 1, as amended herein, and recommends that it be referred to the Committee on Ways and Means, in the form attached hereto as H.B. No. 584, H.D. 2, S.D. 2.

Respectfully submitted on behalf of the members of the Committee on Economic Development and Taxation,

Carol Fukunaga

CAROL FUKUNAGA, Chair

The Senate
Twenty-Fourth Legislature
State of Hawaii

Record of Votes
Committee on Economic Development and Taxation
EDT

Bill / Resolution No.:*	Committee Referral:	Date:
HB 584 HD2 SD1	HSP, EDT, WAM	3/18/08

☐ The committee is reconsidering its previous decision on this measure.

If so, then the previous decision was to: ____________________

The Recommendation is:

☐ Pass, unamended 2312 ☑ Pass, with amendments 2311 ☐ Hold 2310 ☐ Recommit 2313

Members	Aye	Aye (WR)	Nay	Excused
FUKUNAGA, Carol (C)	✓			
ESPERO, Will (VC)	✓			
BAKER, Rosalyn H.				✓
ENGLISH, J. Kalani	✓			
IGE, David Y.	✓			
SLOM, Sam				✓
TOTAL	4			2

Recommendation: ☑ Adopted ☐ Not Adopted

Chair's or Designee's Signature: Will Espero

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*Only one measure per Record of Votes