LATE

SB 2049
RELATING TO TAXATION

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LATE TESTIMONY

COLLEGE OF SOCIAL SCIENCES
public policy center
UNIVERSITY OF HAWAI'I AT MĀNOA

TO: The Honorable Suzanne Chun Oakland, Chair
Committee on Human Services and Housing

FROM: David Nixon, Associate Professor
Social Sciences Public Policy Center
University of Hawaii at Manoa

RE: Testimony in support of SB 2049
Scheduled for Thursday, January 24, 1:30pm, Conference Room 016

Thank you for the opportunity to testify in support of SB 2049. Because of the public policy challenges that must be confronted as the baby boom generation reaches maturity, aging policies constitute a core element of the research agenda for the Public Policy Center. In 2006, we conducted an analysis of tax credits for long term care insurance, and this past summer and fall, we conducted a cost-benefit analysis of a family caregiver tax credit for the Joint Legislative Task Force on Family Caregiving, (under contract with the Hawaii Executive Office on Aging). The 65-page report is in the final clearance stage at the Hawaii Department of Health. A very brief summary of the findings for that report follows:

A tax credit for family caregivers, as specified in SB2049, would produce positive net benefits for Hawaii. The tax credit would be claimed by approximately one fourth of all family caregivers in Hawaii, and would involve approximately $31 million in lost state tax revenue.

The positive net benefits to Hawaii resulting from a family caregiver tax credit would not come in the form of improvements to the lives of family caregivers, per se. The value of the tax credit ($100 to $1000 annually) would be small, relative to the very substantial financial burden experienced by the caregivers (almost $12,000 per year, on average), and relative to the amount of money caregivers themselves report would be necessary to improve their financial situation (over $5,500 per year, on average).

Instead, the positive net benefit of a family caregiver tax credit would come primarily in the form of improved workplace productivity. Over 50% of family caregivers juggle employment alongside their care responsibilities, and this imposes very significant costs on Hawaii employers, according to every study conducted (over $2,000 per year per worker). A family caregiver tax credit would spur additional purchase of home care and adult day care, which would improve workplace productivity for those caregivers.

The sum total of the caregiver tax credit would spur substantial spending on private home based care, according to a representative survey of Hawaii family caregivers. That spending would necessitate about a 9% growth in the labor force of long term care workers in Hawaii.

In summary, Hawaii would be better off with a family caregiver tax credit than without one, though the family caregiver tax credit's primary value to Hawaii is that it would improve the workforce and reduce the costs borne by Hawaii employers of family caregivers.