SB 2047
RELATING TO TAXATION

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AARP[SM]

LATE TESTIMONY

To: **Senate Committee on Human Services and Public Housing**
Sen. Suzannne Chun Oakland, Chair

Date: **January 24, 2008**
Conference Room 016
1:30 pm

Re: **SB 2047 RELATING TO TAXATION**

Chair Chun Oakland and Members of the Committee:

My name is Ed Thompson and I am the Associate State Director for Advocacy for AARP Hawaii. We are a membership organization for people 50 and older with 156,000 members in Hawaii. AARP provides access to services and information, meaningful volunteer opportunities, and the opportunity for our members to create positive change in their lives.

AARP supports SB 2047 which provides the means to establish a tax credit for certain home improvements designed to increase accessibility for handicapped and elderly individuals. It is our belief that creation of such a credit would encourage and enable homeowners to find the help they need to make the proper modifications and to do so in a more affordable manner. Here are a few basic facts:

- In 2000, individuals 60 + represented 17% of the total population and by 2020 it is estimated that individuals 60 and over will comprise 25% of Hawaii's total population.
- Hawaii is experiencing an acute housing shortage.
- In 2003, the occupancy rate for long term care facilities was 93%.
- In a recently completed survey of Hawaii residents 18 and older commissioned by AARP Hawaii, 80% of respondents said it is very important to be able to stay at home for as long as possible and to receive long term care services in their home.

Aging in place is the preferred housing option for the vast majority of our older residents. However, a number of barriers hinder efforts to make this a viable alternative. These barriers include excessive housing expenditures, inadequate home maintenance, and a low rate of home modifications to accommodate health and mobility limitations.
SB 2047 will help to remove some of these barriers.

Thank you for the opportunity to testify before your committee on behalf of our 156,000 Hawaii members.

L E G I S L A T I V E

TAXBILLSERVICE

126 Queen Street, Suite 304 TAX FOUNDATION OF HAWAII Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Home accessibility features for disabled tax credit

BILL NUMBER: SB 2047; HB 2200 (Identical)

INTRODUCED BY: SB by Ihara, Baker, Chun Oakland, English, Espero, Sakamoto, Tokuda and 2 Democrats; HB by Lee, Belatti, Ching, Marumoto, Meyer, Mizuno, Sonson, Thielen, Ward, and 2 Democrats

BRIEF SUMMARY: Adds a new section to HRS chapter 235 to allow taxpayers to claim a home accessibility features for the disabled tax credit of the lesser of: (1) $__; or (2) __ percent of the cost of retrofitting a residence with one or more accessibility features. Defines "accessiblity features" as the installation of: (1) a no-step entrance; (2) interior passage doors with a thirty-two inch wide opening; (3) reinforcements in bathroom walls and installation of grab bars; (4) wheelchair accessible light switches and outlets; and (5) universal design features or accessiblity or adaptablility features prescribed in the building codes of any county in the state.

Married taxpayers filing separately shall be entitled to only the amount of credit they would have been entitled to had they filed jointly. Taxpayers with no income tax liability and not claimed or not eligible to be claimed may also claim the credit. In order to claim the credit, the taxpayer must be in compliance with all applicable federal, state, and county statutes, rules and regulations. Credits in excess of a taxpayer's income tax liability may be refunded to the taxpayer. Claims for the credit, including any amended claims, must be filed on or before the end of the twelfth month following the close of the taxable year. The director of taxation may adopt rules pursuant to HRS chapter 91 and prepare the necessary forms to claim the credit and may require proof of the claim for the credit.

EFFECTIVE DATE: Tax years beginning after December 31, 2007

STAFF COMMENTS: This measure proposes to allow taxpayers to claim an income tax credit to offset the cost of renovations made to a residence to make it handicapped accessible or to accommodate an elderly or disabled person.

It should be noted that the tax credit proposed in this measure does not have any bearing on the claimant's ability to pay state income taxes that might be due. In fact, the credit would be made available to those who may have no income tax liability. Thus, this measure would merely use the tax system to hand out a subsidy for the renovations made to a residence.

Since this measure would amount to nothing more than an appropriation of taxpayer dollars through the back door by way of the tax credit, its enactment cannot be justified. It should be remembered that revenues foregone because of this credit mean that those not so favored will have to pick up the cost of the lost revenues. If it is the intent to help those taxpayers who because of their advancing age or disabilities need to make these improvements to their home, a program of low-interest, no interest loans would be more effective. It should be remembered that the taxpayer has to underwrite the cost of the project before being able to claim the credit. If the taxpayer does not have the financial wherewithal to make the improvements, then the credit cannot be claimed.

Digested 1/22/08

STATE OF HAWAII
STATE COUNCIL
ON DEVELOPMENTAL DISABILITIES
919 ALA MOANA BOULEVARD, ROOM 113
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January 24, 2008

The Honorable Suzanne Chun Oakland, Chair
Senate Committee on Human Services and Public Housing
Twenty-Fourth Legislature
State Capitol
State of Hawaii
Honolulu, Hawaii 96813

Dear Senator Chun Oakland and Members of the Committee:

SUBJECT: SB 2047 – RELATING TO TAXATION

The position and views expressed in this testimony do not represent nor reflect the position and views of the Departments of Health and Taxation.

The State Council on Developmental Disabilities (DD) **SUPPORTS THE INTENT OF SB 2047**. The purpose of SB 2047 is to establish an income tax credit for taxpayers who make modifications to their home to increase accessibility for individuals with disabilities.

The Joint Legislative Committee on Family Caregiving (JLCFC) created by Act 285, SLH 2006, and continued pursuant to Act 204, SLH 2007, was established to address the needs of family caregivers who provide unpaid, informal assistance to a person 60 and older with physical or cognitive disabilities or a grandparent who is a caregiver for a grandchild 18 or younger or 19 or older with physical or cognitive limitations. The JLCFC continued its work during the 2007 Interim and submitted a report to the Legislature on the findings and recommendations of the Committee.

Special Committee Report Number 1, among other things, provides a summary of the studies and surveys conducted, including the Family Caregiver Needs Assessment, and the findings and recommendations of the Committee. According to the needs assessment, family caregivers indicated an interest in some type of caregiver tax credit (94 percent selected this option). One of the recommendations in the report is that a tax credit be provided for the cost of home modifications to enable the caregiver to better assist the care recipient in the home.

The Council believes that family caregiving plays a crucial role in addressing the needs of the increasing elder and disability populations needing long-term care services and supports in the community and supports initiatives that would strengthen support for family caregivers.

The Council defers to the Department of Taxation for the financial implications to the State should a tax credit for caregivers who make modifications to their home be established.

We appreciate the opportunity to present testimony in **supporting the intent of SB 2047.**

Sincerely,

Waynette K.Y. Cabral

Waynette K.Y. Cabral
Executive Administrator

Aloha,

We wish to see the following language added to the Bills below:

SB 2042 Add to end of the last sentence "...including the use of home health technologies."

SB 2047 Add to the end of the last sentence "...and tax credit for taxpayers who utilize home health technologies in their homes to assist them to age in place."

SB 2049 Add to the end of the last sentence "...or who use home health technologies in their homes to assist them to age in place."

Thank you,

Peter Durkson, Chairman
Maui County Council on Aging
Maui, Hawaii
(808) 250-2216

Peter Durkson [duroy@earthlink.net]

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SENATE COMMITTEE ON HUMAN SERVICES & PUBLIC HOUSING

TESTIMONG REGARDING SB 2047
RELATING TO TAXATION

JANUARY 24, 2008
1:30PM—ROOM 016

This measure provides a refundable income tax credit for modifications to a home for purposes of adding home accessibility features. The credit is an unspecified amount.

The Department of Taxation (Department) **supports the intent** of this measure; however **strongly encourages the Committee to adopt the Administration's measure**, which has yet to be assigned to committee. The Administration's measure is identified as TAX-13(08).

I. STRONG SUPPORT FOR AGING AND DISABILITY INDEPENDENCE

With the increasing aging population in Hawaii, it is important that the government support efforts to maintain the independence of these individuals. As independent aging persons, the home is the natural target for this relief. As elderly have lived in their homes for many years, it is not uncommon for the physical and structural aspects of the homes to be unsuited for the special needs of the elderly and disabled.

Independent elderly and disabled are faced with financing exorbitant costs to modify their residences in order to ensure their safety and welfare. Costs include planning, structural, construction, and other charges determined necessary for medical needs.

The Administration's measure provides the necessary financial support for the elderly and disabled by providing a refundable income tax credit equal to fifty percent of the costs incurred by a taxpayer in modifying a principal residence to allow for "aging in place." The amount of qualified costs incurred includes maximum amounts, depending upon the taxpayers filing status: $5,000 for taxpayers filing as single or married filing separately ($2,500 maximum credit); $7,500 for taxpayers filing as head of household or surviving spouse ($3,750 maximum credit); and $10,000 for taxpayers filing a joint return ($5,000 maximum credit).

The Administration's measure also includes several definitions to ensure compliance with the spirit and intent of this legislation and to avoid abuse.

II. TECHNICAL COMMENTS ON THE INSTANT MEASURE

UNSPECIFIED AMOUNT—This measure has an unspecified credit cap, as well as an unspecified base for credit calculation. The Department encourages the Committee to consider the Administration's credit caps, which provide meaningful relief to these individuals and has been priced into the Executive Budget at $8 million.

CREDIT AMOUNTS BY RETURN STATUS—The credit should also take into account credit amounts by return filer status. This legislation does not necessarily contemplate the different rates for different return types. The credit applies to individual taxpayers, "including a husband and wife filing a joint return." Therefore, a single person would obtain the same credit amount as a married couple.

SPECIFIED COSTS—The Department recommends that the costs provided in the Administration's measure be adopted. The specific costs outlined in this measure are overly specific and do not provide any flexibility. The Administration's measure, however, provides flexibility and identifies qualified costs to include:

- Any ramps;
- Any costs required by a doctor;
- Lift mechanisms;
- Grab bars for any room. (This legislation limits grab bars to toilets, tubs, and showers. At a minimum, extending qualified grab bars to any "sitting areas" would be appropriate).
- Any costs approved by the Director.

These flexible and broader costs will allow for more efficient administration of the credit and allow the credit costs to reflect changes in technology. Providing specific costs will also minimize abuse and allow the Department to enforce the spirit of the credit.

III. REVENUE IMPACT

This legislation as written will result in an indeterminate revenue impact. The Administration's measure, on the other hand, will result in a revenue loss of only $8 million per year and has been factored into the Executive Budget.

Thank you for the opportunity to testify.

Respectfully submitted,

KURT KAWAFUCHI
Director of Taxation