



**STATE OF HAWAII**  
STATE COUNCIL  
ON DEVELOPMENTAL DISABILITIES  
919 ALA MOANA BOULEVARD, ROOM 113  
HONOLULU, HAWAII 96814  
TELEPHONE: (808) 586-8100 FAX: (808) 586-7543  
March 12, 2008

The Honorable Josh Green, M.D., Chair  
House Committee on Health  
and  
The Honorable Maile S.L. Shimabukuro  
House Committee on Human Services and Housing  
Twenty-Fourth Legislature  
State Capitol  
State of Hawaii  
Honolulu, Hawaii 96813

Dear Representatives Green and Shimabukuro and Members of the Committees:

**SUBJECT: SB 2047 SD3 – RELATING TO TAXATION**

The position and views expressed in this testimony do not represent nor reflect the position and views of the Department of Health (DOH) and Department of Taxation (DOTax).

The State Council on Developmental Disabilities (DD) **SUPPORTS THE INTENT OF SB 2047 SD3**. The purpose of the bill is to: (1) provide a refundable tax credit for taxpayers who make modifications to their homes to accommodate individuals with disabilities or facilitate aging-in-place for up to 50 percent of qualified costs incurred by the taxpayer to renovate with accessible features up to specified maximums in qualified costs and (2) provide tax incentives to taxpayers who include assistive devices in their home modifications to benefit a person with a disability or to facilitate aging-in-place.

The Joint Legislative Committee on Family Caregiving (JLCFC) created by Act 285, SLH 2006 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. JLCFC continued its work during the 2007 Interim, pursuant to Act 204, SLH 2007, 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.

The Honorable Josh Green, M.D.  
The Honorable Maile S.L. Shimabukuro  
Page 2  
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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 in the community and supports tax credits for home modifications that would benefit individuals with disabilities and elderly and provide support for family caregivers.

The Council defers to DOTax for the financial implications to the State should this tax credit be established.

We appreciate the opportunity to present testimony **supporting the intent of SB 2047 SD3.**

Sincerely,

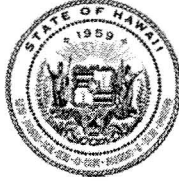


Waynette K.Y. Cabral  
Executive Administrator

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LINDA LINGLE  
GOVERNOR

JAMES R. AIONA, JR.  
LT. GOVERNOR



KURT KAWAFUCHI  
DIRECTOR OF TAXATION

SANDRA L. YAHIRO  
DEPUTY DIRECTOR

STATE OF HAWAII  
DEPARTMENT OF TAXATION  
P. O. BOX 259  
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## HOUSE COMMITTEES ON HEALTH AND HUMAN SERVICES

### TESTIMONY REGARDING SB 2047 SD 3 RELATING TO TAXATION

**TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)**

**DATE: MARCH 12, 2008**

**TIME: 8:00AM**

**ROOM: 329**

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In its original form, this measure provided a refundable income tax credit for modifications to a home for purposes of adding home accessibility features.

The Committee on Human Services & Public Housing amended this measure by incorporating many of the suggestions of the Department of Taxation, including several components of the Administration measure, SB 3117.

The Committee on Economic Development & Taxation substantially modified the bill by:

- (1) Including an income tax credit for caregivers that provide care for qualified persons;
- (2) Providing an additional exemption for persons with children aged 18 and under; and
- (3) Expanding the current dependent care credit.

The Committee on Ways & Means amended the tax provisions by eliminating all tax provisions, except for the tax credit for modifying a residence to facilitate aging in place.

The Department of Taxation (Department) **strongly supports** this measure; however **requests amendments.**

#### **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.

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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.

As amended, this measure provides financial support for the elderly and disabled by providing a refundable income tax credit equal to various percentages, based upon adjusted gross income, 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; \$7,500 for taxpayers filing as head of household or surviving spouse; and \$10,000 for taxpayers filing a joint return.

## **II. TECHNICAL AMENDMENTS REQUESTED.**

The Department strongly urges the Committee to reference the Administration measure, HB 3195/SB 3117, for proposed mechanics of this measure. Based upon the framework of the Administration measure, the Department suggests the following—

**ELIMINATE ADJUSTED GROSS INCOME PERCENTAGES**—The Department prefers the straight 50% of costs credit calculation. The Department is concerned that the adjusted gross income percentages will dilute the meaningfulness of this credit and make it less attractive. One of the purposes of this measure is to encourage the modification of homes in order to encourage safety and access for the elderly or disabled. The benefits should not be as low as they are in this measure.

**RECONCILE DEFINITIONS**—The Department points out that there are currently conflicting definitions of "accessibility features" and "qualified costs." For example, "accessibility feature" is defined to include only grab-bars around toilets in the bathroom. However, "qualified costs" is defined to include grab-bars for any room in other areas of the house where stability would be needed. The Department suggests that the broader definitions within "qualified costs" are most appropriate. The definition of "accessibility feature" is not needed because the term does not appear operative for purposes of the credit. At a minimum, a reconciliation of the definitions is needed.

**SUBSECTION (f) TYPO**—The Department reads the proposed subsection (f) to contain a redundancy that should be removed:

(f) If a taxpayer claims the cost of accessibility features as a tax deduction or for claiming another tax credit under this chapter [~~or as a tax credit~~], then no tax credit shall be claimed under this section.

**SUBSECTION (d) BASIS ADJUSTMENT**—The Department finds that the following subsection can be amended because the second sentence does not apply because the property to which this credit applies is not depreciable.

(d) The basis of the renovated residence for which a credit is claimed under this section shall be reduced by an amount equal to the credit allowable and claimed. [~~In the alternative, the taxpayer shall treat the amount of the credit allowable and claimed as a taxable income item for the taxable year in which the residence is disposed~~].

## **II. REVENUE IMPACT**

Assuming effective for taxable years beginning after December 31, 2007, annual revenue loss would be \$5.8 million, starting in FY 2009.

**mizuno1-Edgar**

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**From:** manis [manis@lava.net]  
**Sent:** Monday, March 10, 2008 12:35 PM  
**To:** HLTtestimony  
**Subject:** SB2047 SD3

**Attachments:** SB2047 SD3 HOME MODIFICATION



SB2047 SD3  
ME MODIFICATION

Testimony below is the same as the attachment in case you can't open it.  
thanks Laura

Kokua Council Laura Manis Testifier

Hearing of the House Committees on Health and Human Services & Housing

March 12, 2008, 8 a.m. Conference Room 329

Chair Josh Green, MD., and Members of the HLT Committee, and Chair Maile S. L. Shimabukuro and Members of the HSH Committee

SB 2047, SD3, Relating to Taxation. Refundable tax for home modification

**SUPPORT**

This testimony is being submitted on behalf Kokua Council whose mission includes advocating for the health of the elderly and those vulnerable populations who can not advocate for themselves.

One of the most frequent reasons for the fragile elderly to unwillingly choose institutional care is because they can no longer stay at home. Most homes were not built with the needs of incapacitated people in mind. The cost of building ramps for wheelchairs, remodeling bathrooms etc. is prohibitive.

We support the addition to this bill of the refundable tax since the elderly pay very little state taxes. While this may decrease money to state funds, it will be offset by helping people stay at home rather than requiring Medicaid to pay for institutional care.

We ask that you will support this bill.  
Laura G. Manis, Legislative Chair, Kokua Council  
tel. 597-8838

# 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; caregiver tax credit; additional personal exemption; dependent care credit

**BILL NUMBER:** SB 2047, SD-3

**INTRODUCED BY:** Senate Committee on Ways and Means

**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 a percentage of the qualified costs to renovate a residence with one or more accessibility features. Taxpayers with adjusted gross income (AGI) of under \$30,000 shall be eligible for a tax credit of 50% of the qualified costs, taxpayers with AGI of \$30,000 to under \$50,000 shall be eligible for a tax credit of 35%; taxpayers with AGI of \$50,000 to under \$75,000 shall be eligible for a tax credit of 20%; taxpayers with AGI of \$75,000 and over shall be eligible for a tax credit of 5%.

Establishes the maximum amount of credit of \$5,000 for taxpayers filing as single or married filing separately; \$7,500 for head of household or surviving spouse; and, \$10,000 for a joint return. Specifies that all qualified costs must be incurred in Hawaii and subject to HRS chapter 237 and at least one elderly person with a disability must reside in the renovated residence for which the credit is claimed.

Defines "accessibility features" as the installation of: (1) a no-step entrance; (2) lift or lift mechanisms; (3) interior passage doors with a thirty-two-inch wide opening; (4) reinforcements in bathroom walls and installation of grab bars; (4) wheelchair accessible light switches and outlets; and (5) universal design features or accessibility or adaptability features prescribed in the building codes of any county in the state. Also defines "aging-in-place," "disability," "elderly person" and "residence" for purposes of the measure.

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, 2050

**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

SB 2047, SD-3 - Continued

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 means 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 3/10/08



# Hawai'i Alliance for Retired Americans

An affiliate of the Alliance for Retired Americans  
c/o AFSCME · 888 Mililani Street, Suite 101 · Honolulu, Hawaii 96813

AFT Hawaii Retirees  
HGEA Retirees  
HSTA – Retired  
ILWU Retirees  
Kokua Council  
Machinists Union Retirees  
UPW Retirees  
ADA/Hawaii

(Submitted by email to [HLTtestimony@capitol.hawaii.gov](mailto:HLTtestimony@capitol.hawaii.gov) March 8, 2008)

Joint statement of Al Hamai, President, and Carol Nitta, Legislative Committee  
Member, Supporting SB 2047, SD3, Relating to Taxation

## **Hearing of the House Committees on Health and Human Services & Housing**

**March 12, 2008, 8 a.m. Conference Room 329**

Chair Josh Green, MD., and Members of the HLT Committee, and  
Chair Maile S. L. Shimabukuro and Members of the HSH Committee

We are submitting testimony on behalf of the Hawaii Alliance for Retired Americans (HARA). HARA represents 17,000 retirees, members of the above organizations and individuals. We are a chapter of the Alliance for Retired Americans (ARA), a national advocacy organization for retirees.

HARA supports SB 2047, SD 3, which proposes to provide tax credits to taxpayers for the modification of accommodations for persons with disabilities or for persons who wish to age-in-place and for family caregivers. We know that one of the most frequently mentioned concerns of seniors and retirees is long term care and what would happen to them in the event that they or their loved ones will need long term care services. We also know that seniors do not wish to be institutionalized in a care facility, which can be very costly to the individuals confined and to state and federal governments. Rather, seniors wish to age-in-place, to spend their remaining lives at their own homes where they lived and worked and played. SB 2047, SD3 is a major step by this legislature not only to express appreciation to the thousands of family caregivers, who daily care for their disabled and aging loved ones, but also to provide these caregivers with some financial assistance for their efforts, which truly benefits our community. For these reasons, HARA urges your HLT and HSH Committees to approve SB 2047, SD3. Mahalo.

*Ke hana like nei na kupuna i 'oi loa a'e 'o Hawai'i*  
**Senior citizens working together for a better Hawai'i**

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To: House Committee on Health  
Rep. Josh Green, M.D., Chair  
Rep. John Mizuno, Vice-Chair

House Committee on Human Services & Housing  
Rep. Maile S. L. Shimabukuro, Chair  
Rep. Karl Rhoads, Vice-Chair

Date: March 12, 2008  
Conference Room 329  
8:00 am

Re: SB 2047, SD3 RELATING TO TAXATION

Chairs Green and Shimabukuro and Members of the Committees:

My name is Ed Thompson, Associate State Director of 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, SD3, 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, SD3, will help to remove some of these barriers.

Thank you for the opportunity to testify before your committees.

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# HAWAII COALITION OF CAREGIVERS

P.O. Box 2441, Honolulu, Hawai'i 96804

March 10, 2008

## MEMBERS 2007-08

### **Maria Etrata**

Founder and President  
*The Primary Care  
Providers*

### **Myriam Tabaniag**

President  
*Alliance of Residential Care  
Administrators*

### **Esther Pascual**

President  
*United Group of Home  
Operators*

### **Lani Akee**

President  
*Adult Foster Home  
Association of Hawaii*

### **Myriam Guerrero**

President  
*Alliance of Residential Care  
Administrators - Big Island  
Chapter*

### **Daniel Marcos**

President  
*Adult Foster Home  
Association of Hawaii - Big  
Island Chapter*

### **Myriam Guerrero**

President  
*Alliance of Residential Care  
Administrators - Big Island  
Chapter*

### **Mila Medallon**

Advisor

### **Bryan P. Andaya**

Advisor

Testimony in Support of **SB 2047 Subject to Amendments** – HLT/HSB – Mar. 12, 2008, 8:00 a.m., Rm. 329

Ladies and Gentlemen of the Hawai'i State Legislature:

The Hawaii Coalition of Caregivers (HCCG) supports SB2047 providing tax credits to caregivers who modify their home to accommodate persons with disabilities and to facilitate aging-in-place. **HCCG recommends amending SB2047, however, to clarify that caregivers licensed by the State of Hawaii are eligible for these tax credits.**

Level I caregivers provide 24/7 care 365 days a year for a flat-rate of \$1,200 per month, which calculates to approximately \$42 per day or \$1.67 per hour. Coupled with the skyrocketing costs of providing care to the elderly and disabled, these compensation rates make it nearly impossible to operate caregiver homes.

Moreover, although this bill indirectly addresses the inadequate compensation of caregivers, this bill directly promotes the health, safety and welfare of residents. As bill correctly notes, modifications covered under this bill promote the safety of residents including the increased accessibility of entrances/exits, increased maneuverability within the home, safety features in bathroom, stairs and other areas of the home.

As noted, while this bill promotes the health and welfare of residents, this bill provides some limited measure of relief to caregivers by defraying some of their expenses incurred in providing care. Caregivers must pay their mortgage for their homes, most of which is used by the residents. Caregivers must also pay for electricity, water, and sewer costs that residents use; for property taxes, general excise taxes, and income taxes; for food, and kitchen, bathroom, and laundry supplies consumed by residents; for their cars and gasoline used to bring their residents to the doctor; for the insurance they are required to carry; for any entertainment they are expected to provide their residents.

This dire situation forces caregivers to live by their wits having to fend for their own health insurance, retirement savings, and other fringe benefits employees sometimes take for granted. Many cannot afford to purchase medical insurance for their family, which now averages \$1,000 per month. Ironically, the residents who they care for have medical insurance provided free of cost courtesy of the government. Licensed caregivers rely on their labor of love as their sole source of income.

Little do people realize that caregivers comprise an integral part of Hawaii's health care system. In hospital terminology, HCCG's members have a total of about 4,000 "beds". Each HCCG bed saves the state huge sums by providing care to residents at costs far below acute care facilities or nursing facilities. With this tax credit, caregivers can protect the health and safety of their residents while still saving the state with the burden of providing for them.

**For the reasons discussed above, HCCG supports SB2047, subject to amendment of the language of the bill to allow licensed caregivers to claim the appropriate tax credits.**

Very truly yours,

The Hawaii Coalition of Caregivers (HCCG)

By: \_\_\_\_\_  
Bryan P. Andaya

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About HCCG

HCCG consists primarily of four organizations working in collaboration towards the common mission of uniting the home and community based care giving industry to improve the quality of care provided to elderly and developmentally disabled clients in various home and community based programs, as well as to improve the state of the industry. HCCG members include: The Alliance of Residential Care Administrators (ARCA), the Preferred Care Providers (TPCP), the United Group of Home Administrators (UGHO), and the Adult Foster Home Association of Hawaii (AFHA). Together, members of the four organizations have a membership of almost 1,500 and comprise about 90% of the home and community-based care givers in the State of Hawaii.

PETER L. FRITZ  
414 KUWILI STREET, SUITE 104  
HONOLULU, HAWAII 96817  
(808) 532-7118

HOUSE OF REPRESENTATIVES  
THE TWENTY-FOURTH LEGISLATURE  
REGULAR SESSION OF 2008

COMMITTEE ON HEALTH  
And  
COMMITTEE ON HUMAN SERVICES & Housing


Hearing March 12, 2008  
Testimony on S.B. 2047 SD3  
(RELATING TO TAXATION)

Chairs Green and Shimabukuro, Vice-Chairs Mizuno and Rhoads, members of the Committees:

I am testifying in my personal capacity. This bill creates a refundable tax credit for modifications to a personal residence where an elderly or disabled person resides to provide accessibility features. I strongly support this bill. Having grown up in a household with a disabled sibling, I have personal knowledge of the importance of modifications to improve accessibility and quality of life and this legislation will help families pay for modifications for an elderly parent, disabled child or returning veteran.

Thank you for the opportunity to testify.

Respectfully,



Peter L. Fritz

Romney Skeem  
1634 Clark St. Apt. D  
Honolulu, HI 96822  
(808) 256-5739

To: Representative Josh Green, M.D., Chair  
Representative John Mizuno, Vice Chair  
Committee on Health  
Representative Maile S. L. Shimabukuro, Chair  
Representative Karl Rhoads, Vice Chair  
Committee on Human Services and Housing  
From: Romney Skeem  
Re: Support of SB 2047 S.D. 3, Relating to Taxation  
Date: March 12, 2008, 8 a.m., Conference Room 329

The purpose of this bill is to assist persons with disabilities and the elderly in making modifications to their homes by receiving a tax credit for their modifications. I am a student in the Masters of Social Work program at the University of Hawaii at Manoa with an emphasis in gerontology. I am in favor of SB 2047 because it supports the elderly and persons with disabilities in the changes they will be going through in their life physically, cognitively, and financially.

This bill increases the health and safety of persons with disabilities and the elderly as it allows them to make changes in their home more affordably and accommodate them in their transitioning, personal grooming skills, and accessibility. Also, this bill gives people the opportunity to be comfortable in their own home as their physical and cognitive skills may decrease with age. According to the 2006 U.S. Census Bureau, 30% of households in Hawaii have one or more people 65 years and over.<sup>1</sup> As Hawaii's population increases, our supports and services for the elderly and persons with disabilities will need to increase as well.

As family members age, it is a tough decision whether or not to place them in a facility that is equipped with these modifications of wide doorways, railings on the walls, and ramps leading up to the facility. The average person making \$45,000 per year most likely cannot afford to pay the rent for a room in a facility for their aging mother or father. By initiating this tax credit, people can increase their finances by staying at their own home or with a family member.

In many instances, persons with disabilities and the elderly do not have the opportunity to speak for themselves or advocate for their needs. This is why I am in support of SB 2047, so that this population will have the opportunity to a happy and comfortable life and increase their independence as much as possible. I urge the committee to pass SB 2047, S.D. 3. Thank you for the opportunity to testify.

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<sup>1</sup> <http://www.census.gov/>