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## A BILL FOR AN ACT

RELATING TO LONG-TERM INSURANCE TAX CREDIT FOR SMALL BUSINESS.

**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.

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



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

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

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

21 However, nursing home care is only one component of the  
22 array of long-term care services that has been developed. Due



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

14 While home- and community-based services can provide care  
15 that is less costly than institutional care, it is still  
16 expensive. Although the legislature believes in a free market  
17 economy, the private sector has not been able to develop  
18 adequate financing mechanisms that appeal to the general  
19 population. The insurance industry needs encouragement in  
20 providing home- and community-based service options in their  
21 long-term care coverage. Purchasers of such insurance also need  
22 to be informed of home- and community-based service options as



1 an alternative to nursing home care. The general public must be  
2 effectively educated and encouraged to purchase long-term care  
3 insurance, possibly by being offered tax incentives in the form  
4 of deductions or credits.

5 One innovative approach that has not been explored involves  
6 providing long-term care insurance to small business employees  
7 because small businesses employ the bulk of all workers.

8 The purpose of this Act is to create an incentive for small  
9 businesses to purchase long-term care insurance for their  
10 employees by providing a tax credit for the payment of their  
11 long-term care insurance premiums.

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

15 "§235- Small business long-term care insurance premium  
16 tax credit. (a) Each individual and corporate resident  
17 taxpayer subject to the tax imposed by this chapter who owns a  
18 small business, as defined in this section, and files an  
19 individual or corporate net income tax return, regardless of  
20 adjusted gross income, may claim a small business long-term care  
21 insurance premium tax credit against the taxpayer's individual  
22 or corporate net income tax liability for the taxable year in



1 which the credit is claimed and for which the income tax return  
2 is being filed; provided that an individual or corporation who  
3 has no income taxable under this chapter may claim this credit.

4 For the purposes of this section:

5 "Long-term care insurance" shall have the same meaning as  
6 defined in section 431:10H-104.

7 "Small business" means a for-profit enterprise consisting  
8 of fewer than one hundred full-time or part-time employees.

9 (b) The tax credit under this section, when claimed by:

10 (1) Either an individual resident taxpayer or a husband  
11 and wife filing a joint return that own a small  
12 business; or

13 (2) A small business that is a corporation, partnership,  
14 limited liability company, or other form of business  
15 entity;

16 may be claimed only once in the taxable year with respect to the  
17 small business, regardless of the number of owners under  
18 paragraph (1) or the number of partners or corporate officers  
19 under paragraph (2); provided that a resident husband and wife  
20 filing separate tax returns for a taxable year for which a joint  
21 return could have been filed by them shall claim only the tax



1 credit to which they would have been entitled under this section  
2 had a joint return been filed.

3 (c) The amount of the tax credit shall be an amount equal  
4 to the lesser of the following amounts:

5 (1) \$500 for each employee; or

6 (2) Fifty per cent of any long-term care insurance premium  
7 payments made for each employee;

8 for the taxable year in which the payments were made.

9 (d) All claims, including any amended claims, for tax  
10 credits under this section shall be filed on or before the end of  
11 the twelfth month following the close of the taxable year for  
12 which the credit may be claimed. Failure to comply with the  
13 foregoing provision shall constitute a waiver of the right to  
14 claim the credit.

15 (e) The director of taxation shall prepare any forms that  
16 may be necessary to claim a credit under this section. The  
17 director may also require the taxpayer to furnish information to  
18 ascertain the validity of the claims for credits made under this  
19 section and may adopt rules necessary to effectuate the purposes  
20 of this section pursuant to chapter 91."

21 SECTION 3. New statutory material is underscored.



1 SECTION 4. This Act shall take effect upon its approval  
2 and shall apply to taxable years beginning after December 31,  
3 2008.  
4

INTRODUCED BY: 

JAN 27 2009



**Report Title:**

Long-Term Care Insurance; Tax Credit; Small Business

**Description:**

Grants tax credit to small businesses at the lesser of 50% of premiums or \$500 per employee for purchase of long-term care insurance for its employees. Defines small business as businesses employing less than 100 full-time or part-time workers.

