

JAN 26 2009

A BILL FOR AN ACT

RELATING TO LONG-TERM CARE.

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



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

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

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

20 However, nursing home care is only one component of the
21 array of long-term care services that has been developed. Due
22 to cost factors, it is likely that home- and community-based



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

15 Although the legislature believes in a free market economy,
16 the private sector has not been able to develop adequate
17 financing mechanisms that appeal to the general population. The
18 insurance industry needs encouragement in providing home- and
19 community-based service options in their long-term care
20 coverage. Purchasers of such insurance also need to be informed
21 about home- and community-based service options as an
22 alternative to nursing home care. The general public must be



1 effectively educated and encouraged to purchase long-term care
2 insurance, possibly motivated by tax incentives in the form of
3 tax deductions or tax credits.

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

7 "§235- Long-term care tax credit. (a) Each individual
8 taxpayer who:

9 (1) Is subject to this chapter;

10 (2) Files an individual income tax return for a taxable
11 year; and

12 (3) Is not claimed or is not otherwise eligible to be
13 claimed as a dependent by another taxpayer for Hawaii
14 state individual income tax purposes,

15 may claim a long-term care credit against the taxpayer's net
16 individual income tax liability for the taxable year for which
17 the individual's income tax return is being filed; provided that
18 an individual who has no income taxable under this chapter, and
19 who is not claimed or is not otherwise eligible to be claimed as
20 a dependent by a taxpayer for Hawaii state individual income tax
21 purposes may claim this credit.



1 (b) The tax credit shall apply to taxpayers with an
2 adjusted gross income of:

3 (1) \$100,000 or less for a married couple filing jointly;

4 or

5 (2) \$50,000 or less for an individual taxpayer.

6 (c) The tax credit for an individual taxpayer, including a
7 husband and wife filing a joint return, shall be an amount equal
8 to the lesser of the following amounts:

9 (1) \$2,500; or

10 (2) Fifty per cent of the cost of any long-term care
11 insurance premium payments made by the individual
12 taxpayer for the taxable year in which the payments
13 were made;

14 provided that a husband and wife filing separate tax returns for
15 a taxable year for which a joint return could have been filed by
16 them shall claim only the tax credit to which they would have
17 been entitled under this section had a joint return been filed.

18 For the purposes of this section, "long-term care insurance"
19 shall have the same meaning as defined in section 431:10H-104.

20 (d) If a deduction is taken under this chapter pursuant to
21 section 213 (with respect to medical, dental, etc., expenses) of
22 the Internal Revenue Code of 1986, as amended, no tax credit



1 shall be allowed for that portion of the cost of long-term care
2 insurance for which the deduction was taken.

3 (e) The tax credit applies to premium payments for a long-
4 term care insurance contract that covers:

5 (1) The taxpayer;

6 (2) The taxpayer's dependent as defined in section 152 of
7 the Internal Revenue Code of 1986, as amended;

8 (3) The taxpayer's spouse;

9 (4) A son or daughter of the taxpayer;

10 (5) A stepson or stepdaughter of the taxpayer;

11 (6) The father or mother of the taxpayer; or

12 (7) A stepfather or stepmother of the taxpayer.

13 (f) No refunds or payment on account of the tax credit
14 allowed by this section shall be made for amounts less than \$1.

15 (g) All claims, including any amended claims, for tax
16 credits under this section shall be filed on or before the end
17 of the twelfth month following the close of the taxable year for
18 which the credit may be claimed. Failure to comply with the
19 foregoing provision shall constitute a waiver of the right to
20 claim the credit."

21 SECTION 3. New statutory material is underscored.



S.B. NO. 1134

1 SECTION 4. This Act shall take effect on July 1, 2009, and
2 shall apply to taxable years beginning after December 31, 2008.
3

INTRODUCED BY: *S. STA.*



Report Title:

Long-Term Care; Tax Credit

Description:

Provides tax credit to resident taxpayers for long-term care insurance premiums at lesser of \$2,500 or 50% of the amount of the insurance premium paid. Prohibits a medical expense deduction for long-term care insurance cost if long-term care tax credit is claimed.

