
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 Older adults – persons sixty years of age and older –
8 presently account for almost one-fifth of the State's
9 population. By 2020, older adults will constitute more than
10 one-fourth of Hawaii's adult population. Nearly one-third of
11 this segment alone is expected to have functional disabilities.

12 Entire families are affected by the psychological,
13 financial, and social costs of providing long-term care to those
14 who have difficulty performing daily living activities. To
15 accommodate the demands of caregiving that grow as dependent
16 family members' needs increase, caregivers reduce work hours,
17 adjust or abandon career and personal goals, and retire earlier
18 than intended, lowering their own pension and retirement benefit

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

7 The costs of nursing home care is another problem faced by
8 many working families. For some elderly families, these costs
9 can equal twice their average annual disposable income,
10 threatening impoverishment for those who are otherwise self-
11 sufficient. Financial planners and insurance providers predict
12 that the average annual cost for nursing home care will reach
13 more than \$200,000 per person by the year 2050. Thus, it is not
14 surprising that approximately eighty per cent of all nursing
15 home residents are dependent on medicaid, an entitlement program
16 for persons with limited income and assets.

17 Although families have expressed a preference for home- and
18 community-based care, available services and nursing home beds
19 are insufficient to meet the current demand. Nursing home care
20 is only one component of the array of long-term care services
21 that has been developed, and given the escalating costs of such
22 care, it is likely that home- and community-based services will

1 become more attractive to older adults and caregivers. Home-
2 and community-based services are provided in and outside the
3 home and are appropriate for those who do not require the levels
4 of care provided in nursing home facilities. In fact, an
5 important function of home- and community-based services is to
6 allow older adults to age in place. Home- and community-based
7 services come in a variety of forms, which can be tailored to
8 meet the specific needs of an individual. These services
9 include 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, and transportation services.

13 While home- and community-based services can provide care
14 that is less costly than institutional care, they are still
15 expensive. The legislature finds that the private sector has
16 been unable to develop adequate financing mechanisms that appeal
17 to the general population to promote and support the provision
18 and purchase of home- and community-based services. The
19 insurance industry needs encouragement in providing home- and
20 community-based service options in their long-term care
21 coverage. Purchasers of such insurance need to be informed of
22 home- and community-based service options as an alternative to

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

5 One innovative approach involves providing long-term care
6 insurance to small business employees, which would allow for the
7 rapid introduction and dissemination of long-term care insurance
8 because small businesses employ the bulk of all workers.

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

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

16 **"§235- Small business long-term care insurance premium**
17 **tax credit.** (a) Each resident taxpayer subject to the tax
18 imposed by this chapter who owns a small business, as defined in
19 this section, and files an 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 income tax
22 liability for the taxable year in which the credit is claimed

1 and for which the income tax return is being filed; provided
2 that a taxpayer who has no income taxable under this chapter may
3 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 that is a
8 corporation, partnership, limited liability company, sole
9 proprietorship, or other form of business entity having fewer
10 than one hundred full-time or part-time employees.

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

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

15 (2) A small business that is a business 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 shareholders, partners, members,
19 or other owners under paragraph (2); provided that a resident
20 husband and wife filing separate tax returns for a taxable year
21 for which a joint return could have been filed by them shall

1 claim only the tax credit to which they would have been entitled
2 under this section 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, upon its approval, shall apply to
2 taxable years beginning after December 31, 2008.

Report Title:

Long-Term Care Insurance; Tax Credit; Small Business

Description:

Grants tax credit to small businesses in the amount equal to 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. (SD1)