

TAXBILLSERVICE

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TAX FOUNDATION OF HAWAII

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SUBJECT: INCOME, Wellness program tax credit

BILL NUMBER: SB 800; HB 409 (Identical)

INTRODUCED BY: SB by Ige, Chun Oakland, Green, Shimabukuro, 6 Democrats and 1 Republican;
HB by Say by request

BRIEF SUMMARY: Adds a new section to HRS chapter 235 to allow a corporate, partnership, or limited liability company taxpayer to claim a qualified wellness program tax credit of 10% of the qualified costs related to providing qualified wellness programs to employees.

Defines “qualified wellness program” as a program offered by an employer to all employees that includes the following components: (1) health awareness, such as health education, preventive screenings, and health risk assessment; (2) employee engagement mechanisms that encourage employee participation; (3) behavioral change elements that have been proven to help improve unhealthy lifestyles, such as counseling, seminars, on-line programs, and self-help materials; and (4) a supportive environment, such as creating on-site policies that encourage healthy lifestyles, healthy eating, physical activity, and mental health. Also defines “qualified costs” for purposes of the measure.

Requires employers to provide evidence that employees have participated in the qualified wellness program and be in compliance with all applicable federal, state, and county statutes, rules, and regulations.

No taxpayer shall claim a credit under this chapter for the qualified costs used to properly claim a tax credit under this section for the taxable year.

Credits in excess of a taxpayer’s income tax liability shall be refunded to the taxpayer. 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. Requires every claim for the credit, including amended claims, to be filed on or before the end of the twelfth month following the close of the taxable year for which the tax credit may be claimed; failure to meet such requirements shall constitute a waiver of the right to claim the tax credit.

EFFECTIVE DATE: Tax years beginning after December 31, 2010

STAFF COMMENTS: The proposed measure would permit certain employers to claim an income tax credit for establishing wellness programs for their employees. It should be remembered that the use of the tax system to promote or encourage social goals is an inefficient use of the system. If enacted, this proposal would result in nothing more than a subsidy by the state and would not in any way address the taxpayer’s need for tax relief.



SENATE COMMITTEE ON HEALTH
Senator Josh Green, M.D., Chair

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY
Senator Carol Fukunaga, Chair

Conference Room 229
Feb. 9, 2011 at 2:45 p.m.

Supporting SB 800.

The Healthcare Association of Hawaii advocates for its member organizations that span the entire spectrum of health care, including all acute care hospitals, as well as long term care facilities, home care agencies, and hospices. Thank you for this opportunity to testify in support of SB 800, which creates a tax credit for businesses that adopt wellness programs for their employees.

U.S. healthcare spending in 2009 consumed 17.3% of the gross domestic product, continuing to rise faster than the general rate of inflation. Much of the cost of health care is used to treat obesity, diabetes, and heart disease, which are caused by poor lifestyle choices.

These preventable conditions are increasing. For example, obesity in Hawaii has risen from 12% in 1996 to almost double that amount, 23%, in 2009. Poor lifestyle choices such as high fat diets and lack of exercise contribute to loss of lifetime expectancy from five to seven years. In addition, poor lifestyle leads to 82% increase in heart disease and 91% increase in diabetes.

Employers can help their employees make better lifestyle choices by establishing wellness programs, which seek to maintain and promote good health rather than to correct poor health. From the perspective of employers, wellness programs can reduce health care costs, reduce absenteeism, and improve employee retention.

Successful wellness programs provide resources that are convenient to employees, offer them attractive incentives, and focus on helping them feel better rather than just look better. Wellness programs provide consistent education about healthy lifestyles and often use social forces present in natural groups at the workplace to encourage them.

Federal health care reform under the Affordable Care Act will create an incentive by providing \$200 million in grants from 2011 to 2015 to small businesses that adopt wellness programs. The HAH bill would supplement that effort by creating a State tax credit. However, we would like to suggest an amendment increasing the 10% tax credit to 25%.

With that amendment, the Healthcare Association supports SB 800.



American Heart Association | American Stroke Association

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Testimony In SUPPORT of SB 800, "Relating to Tax Credits"

The American Heart Association supports the implementation of a comprehensive set of wellness initiatives implemented at the workplace. Such programs can be an important means of addressing the nation's rising obesity rates, sedentary behavior, and increasing prevalence of chronic disease. Successful programs will quickly engage employees in activities that maximize their own health and well being, grow rapidly in response to their perceived value and prove sustainable as they establish the 'business case' for their existence. Although programs will vary, a comprehensive program should encompass tobacco cessation and prevention, physical activity, stress management/reduction, early detection/screening, nutrition education, weight management, and cardiovascular disease prevention. Other components of an effective program include back pain prevention and management, adult vaccination, alcohol and substance abuse assessment, maternal and infant health education and guidance regarding effective use of the health care system. All interventions should incorporate motivational interviewing and assessment of readiness to change. Programs must address the needs of all employees at a given workplace, regardless of gender, age, ethnicity, culture or physical or intellectual capacity. In addition, such programs should include modifications of the worksite environment that facilitate healthy behaviors and decision-making that promotes wellness. Each program should be an active learning system where outcome evaluation is an integral component.

Over 130 million Americans are employed across the United States and since a significant part of their day is spent at work, comprehensive, culturally sensitive health promotion within the workplace is essential to maintain and improve the nation's health. Additionally, time spent at work has increased over the last two decades. The workplace environment is a significant target for obesity prevention efforts in particular.

Health care costs in the United States doubled from 1990 to 2001 and are expected to double again by 2012. Chronic illnesses affect more than a third of working-age Americans and the costs associated with chronic diseases account for approximately 75 percent of the nation's annual health care costs.

Rising health care costs have a huge financial impact on employers. Nearly 60 percent of employers' after-tax profits are spent on corporate health benefits. An estimated 25-30 percent of companies' medical costs per year are spent on employees with excess health risk. That contrasts to three decades ago when only 7 percent of corporate profits paid for health costs.

Employers are bearing the costs of chronic disease and obesity directly through employer-provided health care plans and indirectly through higher rates of absenteeism, presenteeism, disability, and injury. Just three chronic conditions related to obesity, asthma, diabetes, and hypertension, are associated with 164 million lost work days per year in the United States at a cost to employers of \$30 billion. These common chronic conditions cause U.S. employees to miss an average of 10 work days per year.

Research suggests that migration to lower risk status is estimated to save \$53 per employee and these savings recur each year that the employee remains in a low-risk tier. Addressing

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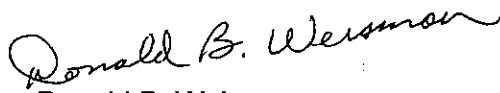
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*"Building healthier lives,
free of cardiovascular
diseases and stroke."*

7. An evaluation and improvement process to enhance effectiveness and efficiency.

The American Heart Association recognizes the value of employee wellness programs and encourages Hawaii's government entities to support quality programs in Hawaii businesses and government agencies. Please support SB 800.

Respectfully submitted by,

A handwritten signature in black ink that reads "Donald B. Weisman". The signature is written in a cursive style with a large initial "D".

Donald B. Weisman
Hawaii Advocacy Director