

STAND. COM. REP. NO. 2385

Honolulu, Hawaii

FEB 19 2016

RE: S.B. No. 2478
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Twenty-Eighth State Legislature
Regular Session of 2016
State of Hawaii

Sir:

Your Committees on Commerce, Consumer Protection, and Health and Human Services, to which was referred S.B. No. 2478 entitled:

"A BILL FOR AN ACT RELATING TO LONG-TERM CARE,"

beg leave to report as follows:

The purpose and intent of this measure is to establish a long-term care surcharge on state general excise tax and use tax as a dedicated source of funding under the long-term care financing program.

Your Committees received testimony in support of this measure from the Policy Advisory Board for Elder Affairs; Maui County Office on Aging; Long Term Services and Supports Feasibility Study; Paraprofessional Healthcare Institute; Faith Action for Community Equity; Caring Across Generations; National Domestic Workers Alliance; Jobs with Justice, Service Employees International Union; Center for Medicare Advocacy, Inc.; National Respite Coalition; Justice in Aging; LeadingAge; Older Women's League; Pilipino Workers Center - Southern California; Advance CLASS, Inc.; Make It Work; Hand in Hand: The Domestic Employers Network; International Longshore & Warehouse Union Local 142; and over fifty individuals. Your Committees received testimony in opposition to this measure from the Hawaii Food Industry Association, Chamber of Commerce Hawaii, Hawaii Association of REALTORS, Meadow Gold Dairies, National Federation of Independent Business, and two individuals. Your Committees received comments on this measure from the Department of Taxation, Department of Budget and Finance, Executive Office on Aging, Office of

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Information Practices, Tax Foundation of Hawaii, Grassroot Institute of Hawaii, and AARP Hawaii.

Your Committees find that Hawaii is experiencing a rapid demographic change. Over the next two decades, the number of adults over the age of sixty-five is expected to grow by more than sixty percent. This shift in demographics is putting increased stress on families, who provide the vast majority of care for elders in Hawaii. As the population ages, more people need assistance to manage their daily needs. According to testimony received by your Committees, among people over the age of sixty-five, fifty percent have multiple chronic health conditions. For individuals over the age of eighty, one in three will develop functional limitations that will require assistance with activities of daily living, such as bathing, dressing, managing medications, and preparing meals. Your Committees further find that providing at-home support can strain the emotional, physical, and financial well-being of family caregivers. According to the AARP, when caregivers leave the workforce, they lose on average over \$300,000 in lifetime income.

Your Committees additionally find that the Long-Term Care Commission, established by the Legislature, has concluded that a mandatory limited public insurance program is the only feasible means of providing nearly all Hawaii residents with the financial support needed to access long-term care services. The Legislature has previously funded a feasibility study and a technical actuarial study for a public insurance fund with limited benefits. This measure reflects the results from that research.

According to testimony from the Long Term Services and Supports Feasibility Study, several funding options to finance the long-term care program were explored, including an income tax, payroll tax, and general excise tax surcharge. This measure proposes to establish a long-term care surcharge on state general excise tax and use tax. According to testimony, a surcharge will ensure that the program remains sustainable. This is due in part to small but not insignificant contributions from visitors to Hawaii who will likely never use the benefits from the program, but who will pay up to one-third of the fund.

Your Committees also find that this measure provides an innovative solution to helping Hawaii's families cope with the many costs of caregiving. By providing a limited benefit of \$70 per day for 365 days, this measure provides a care floor that



ensures a family can hire paid support to supplement the care the family is able to provide. Your Committees further find that the program proposed by this measure is intended to provide assistance in the early months of the need for care. With a 365 service day benefit, families will be able to hire part-time caregivers for a few hours each day. Families will also be able to spread benefits out, using services as the family schedule requires. According to testimony received by your Committees, most people who need some long-term care may not use benefits for very long. Your Committees note that the program benefits established by this measure exceed the average and median length of care found in the Centers for Disease Control and Prevention National Home and Hospice Care Surveys.

Finally, your Committees note that the Department of Taxation and the Office of Consumer Protection have suggested amendments that will help the long-term care surcharge program work more efficiently under state law. Amendments to this measure incorporating these suggested improvements are therefore necessary.

Your Committees have amended this measure by:

- (1) Clarifying that the long-term care surcharge on state tax shall not apply to gross income or gross proceeds from binding written contracts entered into prior to July 1, 2015, that do not permit the passing on of increased rates of taxes;
- (2) Deleting language that provided for an additional penalty of ten percent for failure to file an additional schedule, as the long-term care surcharge applies regardless of what county in the State a person's income is sourced;
- (3) Clarifying that no long-term care surcharge on state tax shall be imposed on any use taxable under the State's use tax law at the one-half percent tax rate or upon any use that is not subject to taxation or that is exempt from the State's use tax law;
- (4) Deleting language that would have required the Director of Taxation to annually compile and provide the name, address, social security number, filing status, taxable year, and date of filing of all resident taxpayers to



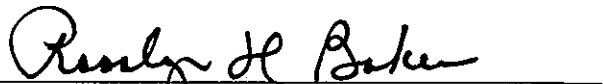
the board of trustees of the long-term care financing program, as this would have required the Director to disclose certain confidential taxpayer information to the board of trustees;

- (5) Clarifying that the actuarial report and the work product, papers, documents, and data used or prepared by the actuary in preparing the actuarial report shall be public records disclosable pursuant to chapter 92F, Hawaii Revised Statutes;
- (6) Requiring individuals to present to the board of trustees of the long-term care financing program a tax clearance certificate signed by the Director of Taxation for purposes of qualifying for benefit payments for long-term care services under the program;
- (7) Inserting an effective date of July 1, 2050, to encourage further discussion; and
- (8) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the records of votes of the members of your Committees on Commerce, Consumer Protection, and Health and Human Services that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 2478, as amended herein, and recommend that it pass Second Reading in the form attached hereto as S.B. No. 2478, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committees on Commerce,
Consumer Protection, and Health
and Human Services,


SUZANNE CHUN OAKLAND, Chair


ROSALYN H. BAKER, Chair



The Senate
Twenty-Eighth Legislature
State of Hawai'i

Record of Votes
Committee on Commerce, Consumer Protection, and Health
CPH

Bill / Resolution No.:* SB 2478	Committee Referral: CPH/HMS, WAM	Date: 2-10-16		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <div style="display: flex; justify-content: space-between;"> <div><input type="checkbox"/> Pass, unamended 2312</div> <div><input checked="" type="checkbox"/> Pass, with amendments 2311</div> <div><input type="checkbox"/> Hold 2310</div> <div><input type="checkbox"/> Recommit 2313</div> </div>				
Members	Aye	Aye (WR)	Nay	Excused
BAKER, Rosalyn H. (C)	/			
KIDANI, Michelle N. (VC)	/			
ESPERO, Will	/			
IHARA, Jr., Les				/
NISHIHARA, Clarence K.	/			
RUDERMAN, Russell E.				/
SLOM, Sam				/
TOTAL	4			3
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <i>Michelle N. Kidani</i>				
Distribution: <div style="display: flex; justify-content: space-around; font-size: small;"> Original File with Committee Report Yellow Clerk's Office Pink Drafting Agency Goldenrod Committee File Copy </div>				

*Only one measure per Record of Votes

The Senate
Twenty-Eighth Legislature
State of Hawai'i

Record of Votes
Committee on Human Services
HMS

Bill / Resolution No.:* <div style="font-size: 1.5em; font-family: cursive;">SB 2478</div>	Committee Referral: <div style="font-size: 1.5em; font-family: cursive;">CPH/HMS, WAM</div>	Date: <div style="font-size: 1.5em; font-family: cursive;">2/16/16</div>		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <div style="display: flex; justify-content: space-between; margin-top: 10px;"> <div> <input type="checkbox"/> Pass, unamended 2312 </div> <div> <input checked="" type="checkbox"/> Pass, with amendments 2311 </div> <div> <input type="checkbox"/> Hold 2310 </div> <div> <input type="checkbox"/> Recommit 2313 </div> </div>				
Members	Aye	Aye (WR)	Nay	Excused
CHUN OAKLAND, Suzanne (C)	X			
RIVIERE, Gil (VC)			X	
GREEN, Josh	X			
HARIMOTO, Breene	X			
RUDERMAN, Russell E.		X		
THIELEN, Laura H.		X		
SLOM, Sam			X	
TOTAL	3	2	2	0
Recommendation: <div style="display: flex; justify-content: space-around; margin-top: 10px;"> <div> <input checked="" type="checkbox"/> Adopted </div> <div> <input type="checkbox"/> Not Adopted </div> </div>				
Chair's or Designee's Signature: <div style="font-size: 1.5em; font-family: cursive; text-align: center;">G. Riviere</div>				
Distribution: <div style="display: flex; justify-content: space-between; margin-top: 10px;"> <div>Original File with Committee Report</div> <div>Yellow Clerk's Office</div> <div>Pink Drafting Agency.</div> <div>Goldenrod Committee File Copy</div> </div>				

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