HOUSE OF REPRESENTATIVES
THIRTY-THIRD LEGISLATURE, 2025
STATE OF HAWAII

H.B. NO. 701 H.D. 3 S.D. 2

A BILL FOR AN ACT

RELATING TO TAXATION.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. The legislature finds that family caregivers are the backbone of the long-term care system in the State. AARP's 2023 report, "Valuing the Invaluable", found that 154,000 residents of the State provide unpaid caregiving services for a loved one. The report finds that, each year, these family caregivers contribute nearly 144,000,000 hours of unpaid services, estimated at a value of $2,600,000,000. Caregiving services can range from managing personal finances and transporting for medical visits to providing twenty-four-hour supervision and assisting with bathing, toileting, and dressing so that their loved ones are not prematurely institutionalized and can remain in their homes.

The legislature further finds that nonpaid family caregivers face many physical, emotional, and financial challenges and often balance caregiving with work and other personal responsibilities. A 2021 national study found that, on average, family caregivers spend twenty-six per cent of their income on caregiving services; nearly eight in ten caregivers report having routine out-of-pocket expenses related to caregiving; and that these out-of-pocket expenses average $7,242 per year. The legislature believes that the demands on family caregivers are not isolated family issues and that the State should assist in the delivery of meaningful support and solutions for those that provide unpaid long-term care services in the State.

Accordingly, the purpose of this Act is to establish a tax credit for nonpaid family caregivers.

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

"**§235-   Family caregiver tax credit.** (a) Each eligible taxpayer subject to the tax imposed by this chapter may claim a family caregiver tax credit against the taxpayer's individual net income tax liability, if any, imposed by this chapter for the taxable year in which the credit is properly claimed.

(b) The family caregiver tax credit shall be equal to   per cent of the qualified expenses of the eligible taxpayer, up to a maximum of $ in any taxable year;

provided that married individuals who do not file a joint tax return shall only be entitled to claim the tax credit to the extent that they would have been entitled to claim the tax credit had they filed a joint return.

(c) An eligible taxpayer may claim the tax credit for every taxable year or part thereof that the eligible taxpayer:

(1) Provides care to a care recipient during the taxable year;

(2) Has personally incurred uncompensated expenses directly related to the care of a care recipient; and

(3) Has not claimed the care recipient as a dependent for the purpose of a tax deduction in the same taxable year.

(d) Only one eligible taxpayer per household may claim a tax credit under this section for any care recipient cared for in a taxable year. Only one tax credit under this section shall be claimed by an eligible taxpayer in any one taxable year, regardless of the number of care recipients receiving care from the eligible taxpayer.

(e) The director of taxation:

(1) Shall prepare any forms that may be necessary to claim a tax credit under this section;

(2) May require the taxpayer to furnish reasonable information to ascertain the validity of the claim for the tax credit made under this section; and

(3) May adopt rules pursuant to chapter 91 necessary to carry out this section.

(f) The executive office on aging shall:

(1) Maintain records of the total amount of qualified expenses for each taxpayer claiming a credit;

(2) Verify the amount of the qualified expenses claimed;

(3) Total all qualified expenses claimed; and

(4) Certify the total amount of the tax credit for each taxable year.

Upon each determination, the executive office on aging shall issue a certificate to the taxpayer verifying the qualified expenses and the credit amount certified for each taxable year. The taxpayer shall file the certificate with the taxpayer's tax return with the department of taxation. Notwithstanding the executive office on aging's certification authority under this section, the director of taxation may audit and adjust certification to conform to the facts.

(g) If the tax credit under this section exceeds the taxpayer's net income tax liability, the excess of the credit over liability may be used as a credit against the taxpayer's income tax liability in subsequent years until exhausted; provided that no credit carried forward under this subsection shall be used as a credit more than five years after the taxable year in which qualified expenses are incurred. All claims for the tax credit under this section, including amended claims, shall be filed on or before the end of the twelfth month following the close of the taxable year for which the credit may be claimed. Failure to comply with the foregoing provision shall constitute a waiver of the right to claim the credit.

(h) The department of taxation shall submit a report to the legislature no later than twenty days prior to the convening of each regular session on the number of eligible taxpayers claiming the tax credit and the total cost of the tax credit under this section to the State during the past year.

(i) For the purposes of this section:

"Activity of daily living" has the same meaning as defined in section 349-16.

"Care recipient" means an individual who:

(1) Is a citizen of the United States or a qualified alien; provided that for the purposes of this paragraph, "qualified alien" means a lawfully admitted permanent resident under the Immigration and Nationality Act;

(2) Does not reside in a long-term care facility, such as an intermediate care facility, assisted living facility, skilled nursing facility, hospital, adult foster home, community care foster family home, adult residential care home, expanded adult residential care home, or developmental disabilities domiciliary home; and

(3) Has impairments of at least:

(A) Two activities of daily living;

(B) Two instrumental activities of daily living;

(C) One activity of daily living and one instrumental activity of daily living; or

(D) Substantive cognitive impairment requiring substantial supervision because the individual behaves in a manner that poses a serious health or safety hazard to the individual or another person.

"Care recipient" includes a person with a disability as defined under section 515-2.

"Eligible taxpayer" means any relative of a care recipient who:

(1) Has a federal adjusted gross income of $75,000 or less, or $125,000 if filing a joint tax return; and

(2) Has undertaken the care, custody, or physical assistance of the care recipient.

"Instrumental activity of daily living" has the same meaning as defined in section 349-16.

"Qualified expenses" means out-of-pocket expenses directly incurred by the eligible taxpayer in providing care to a care recipient that have not been reimbursed, credited, paid, or otherwise covered by another individual, organization, provider, or government entity. "Qualified expenses" include but are not limited to:

(1) The improvement of or alteration to the eligible taxpayer's primary residence in order to permit the care recipient to live in the residence and remain mobile, safe, and independent, including entrance ramps, safety grab bars by toilets, and the conversion of tubs to accessible showers;

(2) The purchase or lease of equipment and supplies, including but not limited to durable medical equipment, incontinent undergarments, and portable commodes, necessary to assist a care recipient in carrying out one or more activities of daily living; and

(3) Other expenses paid or incurred by the eligible taxpayer that assists the eligible taxpayer in providing care to a care recipient, such as expenditures related to:

(A) Home care aides or chore workers;

(B) Respite care;

(C) Adult day care or adult day health center services;

(D) Personal care attendants;

(E) Transportation, including but not limited to paratransit service for non-emergency medical transport;

(F) Health care equipment; and

(G) Assistive technology, including emergency alert systems and voice activated medication dispensers or reminders.

"Relative" means a spouse, child, parent, sibling, legal guardian, reciprocal beneficiary as defined in section 572C-3, partner as defined in section 572B-1, or any other person who is related to a care recipient by blood, marriage, or adoption, including a person who has a hanai or substantial familial relationship to the care recipient."

SECTION 3. There is appropriated out of the general revenues of the State of Hawaii the sum of $ or so much thereof as may be necessary for fiscal year 2026-2027 to be allocated as follows:

(1) $100,000 for infrastructure development and implementation of the family caregiver tax credit; and

(2) $ for the certification of claims for tax credits under the family caregiver tax credit.

The sum appropriated shall be expended by the executive office on aging for the purposes of this Act.

SECTION 4. New statutory material is underscored.

SECTION 5. This Act shall take effect on December 31, 2050; provided that section 2 shall apply to taxable years beginning after December 31, 2026.

Report Title:
Kupuna Caucus; DOTAX; Executive Office on Aging; Family Caregiver Tax Credit; Report; Appropriation

Description:
Establishes a family caregiver tax credit for nonpaid family caregivers. Requires the Department of Taxation to submit annual reports to the Legislature. Appropriates moneys to the Executive Office on Aging. The tax credit applies to taxable years beginning after 12/31/2026. Effective 12/31/2050. (SD2)

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