H.B. NO. 3195

A BILL FOR AN ACT

RELATING TO INCOME TAX CREDIT.

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

SECTION 1. With the increasing aging population in Hawaii, it is important that the government support efforts to maintain the independence of these individuals. The purpose of this Act is to provide income tax relief for costs incurred in modifying the primary personal residence of an elderly or disabled person to assist that person with the ability to "age in place." This Act shall be known as the "Aging in Place Home-Safe-Home Act of 2008."

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

"**§235- Aging in place tax credit; handicapped accessibility.** (a) There shall be allowed to each individual taxpayer who is not claimed or is not otherwise eligible to be claimed as a dependent by another taxpayer for federal or Hawaii state individual income tax purposes, who files an individual net income tax return for a taxable year, an aging in place tax credit, which shall be deductible from the taxpayer's net income

tax liability imposed by this chapter for the taxable year in which the tax credit is properly claimed; provided that:

(1) An individual who has no income or no income taxable under this chapter and who is not claimed or is not otherwise eligible to be claimed as a dependent by a taxpayer for federal or Hawaii state individual income tax purposes may claim this tax credit;

(2) A husband and wife filing separate returns for a taxable year for which a joint return could have been filed by them shall claim only the tax credit to which they would have been entitled had a joint return been filed; and

(3) No tax credit may be claimed for amounts less than $1.

(b) The tax credit under this section shall be equal to fifty per cent of the qualified costs incurred by a taxpayer to renovate a residence to provide handicapped accessibility or aging in place up to the following maximum in qualified costs:

(1) $5,000 for a taxpayer filing as single or married filing separately;

(2) $7,500 for a taxpayer filing as head of household or as a surviving spouse; or

(3) $10,000 for taxpayers filing a joint return.

1 (c) To qualify for the income tax credit:

2 (1) All qualified costs must be incurred in Hawaii and be

3 subject to chapter 237;

4 (2) The residence for which qualified costs are incurred

5 must be located in Hawaii; and

6 (3) At least one elderly person or person with a disability

7 must physically reside in the renovated residence for

8 which a credit is claimed under this section.

9 (d) The basis of the renovated residence for which a credit

10 is claimed under this section shall be reduced by an amount equal

11 to the credit allowable and claimed. In the alternative, the

12 taxpayer shall treat the amount of the credit allowable and

13 claimed as a taxable income item for the taxable year in which

14 the residence is disposed.

15 (e) The credit allowed under this section shall be claimed

16 against the net income tax, if any, imposed by this chapter for

17 the taxable year in which the credit is properly claimed. If the

18 tax credit under this section exceeds the taxpayer's net income

19 tax liability, any excess of the tax credit shall be refunded to

20 the taxpayer; provided that no refund or payment on account of

21 the tax credit allowed by this section shall be made for amounts

22 less than $1.

(f) Every claim, including amended claims, for the tax credit under this section shall 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 the filing requirements of this subsection shall constitute a waiver of the right to claim the tax credit.

(g) As used in this section:

"Aging in place" means renovations made to a residence to accommodate necessary life activities of an elderly person, including mobility, accessibility, safety, and hygienic modifications.

"Disability" means, with respect to an individual, a physical or mental impairment that substantially limits one or more major life activities of such individual.

"Elderly person" means an individual having attained age sixty-five before the close of the taxable year in which the credit is claimed.

"Handicapped accessibility" means renovations made to a residence to accommodate a person with a disability.

"Qualified costs" means the following direct costs incurred by the taxpayer to renovate a residence to provide handicapped accessibility or aging in place:

1 (1) Plans, designs, construction, alteration, or
2 modification of a residence determined to be necessary
3 improvements for medical purposes by a medical doctor
4 licensed to practice in the State. The director of
5 taxation may require verification by a person's medical
6 doctor in order to ascertain the validity of any such
7 costs;
8 (2) Ramps for gaining entry into or access within a
9 residence;
10 (3) Lifts or lift mechanisms that assist a person with
11 vertical movement for gaining entry into or access
12 within a residence;
13 (4) Expanding the width of doorways, hallways, or entryways
14 for purposes of gaining entry into or access within a
15 residence;
16 (5) Grab bars or other devices used to stabilize a person
17 within a residence in areas including, but not limited
18 to, bathrooms, hallways, and sitting areas; and
19 (6) Any other costs approved by the director of taxation.
20 "Residence" means the taxpayer's "principal residence"
21 within the meaning of section 121 of the Internal Revenue Code."
22 SECTION 3. New statutory material is underscored.

1 SECTION 4. This Act shall take effect upon its approval and
2 shall apply to taxable years beginning after December 31, 2007.
3
4 INTRODUCED BY: Calvin Kay
5 BY REQUEST

JAN 22 2008

H.B. NO. 395

Report Title:
Income Tax Relief; Aging in Place Home-Safe-Home Act of 2008

Description:
Provides a refundable income tax credit for up to 50% of costs incurred in retrofitting a primary residence for purposes of accommodating aging and disability access.

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JUSTIFICATION SHEET

DEPARTMENT: TAXATION

TITLE: A BILL FOR AN ACT RELATING TO INCOME TAX CREDIT

PURPOSE: To provide a refundable income tax credit for costs incurred in modifying a personal residence to accommodate the elderly and disabled.

MEANS: Add a new section to chapter 235, Hawaii Revised Statutes.

JUSTIFICATION: With the increasing aging population in Hawaii, it is important that the government support efforts to maintain the independence of these individuals. As independent aging persons, the home is the natural target for this relief. As elderly have lived in their homes for many years, it is not uncommon for the physical and structural aspects of the homes to be unsuited for the special needs of the elderly and disabled.

Independent elderly and disabled are faced with financing mounting costs to modify their residences in order to ensure their safety and welfare. Costs include planning, structural, construction, and other charges determined necessary for medical needs. Costs incurred also include the purchase of basic safety items such as handrails and lifting devices.

This legislation provides the necessary financial support for the elderly and disabled by providing a refundable income tax credit equal to fifty percent of the costs incurred by a taxpayer in modifying a principal residence to allow for "aging in place." The amount of qualified costs incurred includes maximum amounts, depending upon the taxpayers filing status: $5,000 for taxpayers filing as single or married

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filing separately; $7,500 for taxpayers filing as head of household or surviving spouse; and $10,000 for taxpayers filing a joint return.

This bill also includes several definitions to ensure compliance with the spirit and intent of this legislation and to avoid abuse.

This Act shall be known as the "Aging in Place Home-Safe-Home Act of 2008."

Impact on the public: Persons that are elderly or disabled and require modifications to their personal residence in order to improve mobility and safety could potentially qualify for government financial support through the form of a refundable income tax credit.

Impact on the department and other agencies: The Department of Taxation will be responsible for administering this tax incentive.

GENERAL FUND: $8,000,000 per year.

OTHER FUNDS: None.

PPBS PROGRAM DESIGNATION: TAX 100.

OTHER AFFECTED AGENCIES: None.

EFFECTIVE DATE: Upon approval, applying to taxable years beginning after December 31, 2007.