

Approved 2/14/89
Date

MINUTES OF THE House COMMITTEE ON Taxation

The meeting was called to order by Representative Keith Roe at
Chairperson

9:00 a.m. on February 13, 1989 in room 519-S of the Capitol.

All members were present except:

Representative Crowell, absent
Representative Fuller, absent

Committee staff present:

Tom Severn, Research
Chris Courtwright, Research
Don Hayward, Revisor's Office
Lenore Olson, Committee Secretary

Conferees appearing before the committee:

Representative Carol Sader
Mike Oxford - KACEH
Michael Lechner - KACEH
Arthur Harvey - Silver-Haired Legislature

Representative Sader testified in support of HB 2052, stating that the time has come for the Kansas Legislature to stop merely voicing its support annually for in-home care and caregivers and to start acting to provide the needed incentives. (Attachment 1)

Mike Oxford testified in support of HB 2052, stating that the tax credit for people who provide in-home care is a good idea, but it is unfair to place an age restriction on any such credit. (Attachment 2)

Arthur Harvey testified in support of HB 2052, with possible improvements. He stated that a Kansas tax credit incentive would offer care-givers and families an alternative to care for dear friends and relatives. (Attachment 3)

Michael Lechner testified in support of HB 2052. He stated that it costs about \$15,000 per year for people to care for him in his own home and the cost of this bill should not be a concern.

Vice-Chairman Smith concluded the hearing on HB 2052.

The minutes of February 10, 1989, were approved.

HOUSE COMMITTEE ON TAXATION

DATE 2/13/89

NAME ADDRESS REPRESENTING

NAME	ADDRESS	REPRESENTING
HAROLD PITTS	Topeka	KCOA
Arthur Farney	Lyons	S N L
Carol Sader	Prairie Village	State Rep.
Mike Oxford	Topeka	KALEH / DWR
Mike Lechner	"	"
Ruth Wilbur	"	Girl Scouts
Brenda Frey	Newton	" "
Michael Jaimes	Great Bend	" "
Imelisa Sharp	Russell	Girl Scouts
Anda Jewett	Golby	"
Tommy Srecker	Hays	"
Krista Linder	Pittsburg - ks.	"
April Behrendt	Haysville	"
Hamie Jones	Wichita	Girl Scouts
Mary Mours	Garden Grove	Girl Scouts
Frances Shearer	Hays, K.	Girl Scouts
Martha Fee	Hutchinson	Girl Scouts
Jan Stump	Burlington	Girl Scouts
Shelley Fisher	Emporia	" "
Gerhard Metz	Topeka	KCCI
Jim McBride	Topeka	Observer
Jo Biddle	Guyman OR	Girl Scouts
Kim Anderson	L Peral, KS	Girl Scout
J. Hawke	Topeka	Cur-Journal
Brenda Martin	Elkhart, KS	Girl Scouts

CAROL H. SADER
 REPRESENTATIVE, TWENTY-SECOND DISTRICT
 JOHNSON COUNTY
 8612 LINDEN DR
 SHAWNEE MISSION, KANSAS 66207
 (913) 341-9440



TOPEKA

HOUSE OF
 REPRESENTATIVES

COMMITTEE ASSIGNMENTS
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 JOINT COMMITTEE ON ECONOMIC
 DEVELOPMENT
 PENSIONS, INVESTMENTS AND BENEFITS
 PUBLIC HEALTH AND WELFARE

TESTIMONY ON HB2052
 The House Taxation Committee
 February 13, 1989

My name is Carol Sader. I represent the 22nd Legislative District. I come before you today as a proponent of HB2052, a bill that would allow an income tax credit of \$600 for income-eligible individuals who provide in-home care for a person over 65 who would otherwise be in an institution as a medicaid patient at state and federal expense.

For quality of care reasons; because of the acknowledged desirability of allowing elderly persons to remain in private residences as long as possible; and for health care cost containment reasons, it is important that family caregivers be encouraged and supported in their role. The economic incentive provided in HB2052 would assist families in providing needed in-home care for their elderly and infirmed relatives. Although \$600 annually may not seem like alot of money as an incentive for someone to provide 24-hour, 7-day-a-week care for an infirmed parent or spouse, it can be very significant to a caregiver who otherwise would be unable to receive any respite from this oppressive responsibility. Affordable respite care is virtually non-existent in most communities in our state.

In reply to a request for a fiscal note on this bill, I was referred to the notes of prior years in which it was stated that some additional staffing and data processing service would probably be needed to implement this within the Department of Revenue. Beyond this, it was stated that it is difficult to assess the fiscal impact of this measure because it is unknown how many taxpayers would be eligible to claim this credit and how much state medicaid money would be saved as an offset of this cost. Considering the per diem cost of nursing home care today, it is most probable that the state' medicaid share of 44% of every dollar charged would far exceed \$600 per year for any given medicaid patient.

Last year, the Department of Revenue listed several comments for committee consideration of HB2924 and SB510, both of which were substantially similar to the bill before you today. I would like to address these:

1) The Department stated that the bills failed to specify whether gross income is defined as federal adjusted gross income or Kansas adjusted gross income or some other. I submit that this dilemma of the Department's can be remedied by amending Sec.1(a) to read "Kansas adjusted gross income."

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 Attachment 1

2) The Department stated that the bills failed to define the term "in-home" as in "in-home care" sufficiently. I submit that "in-home" would necessarily mean within the physical confines of the home of the caregiver.

3) Questions of whether the dependent must be 65 for the entire year and whether the credit would be allowed if the dependent died within the year are both answered in Sec. 1(a) of HB2052 by providing eligibility for the credit if the caregiver provides in-home care for at least 6 months of the taxable year.

4) In answer to the question of whether a double credit could be claimed under this act and under the Kansas law allowing credits for dependent care expenses equal to a percentage of the federal credit, the answer is probably not in most cases because the federal credit is only given for those care expenses incurred while the taxpayer works or seeks work. This bill is primarily intended to help those caregivers who are not principally engaged in any other work than the caregiving at issue.

5) The Department questioned how they could determine who would fit the definition of "institution-bound" and how to define "chronic physical or mental limitations." I submit that a physician's written opinion on a patient's eligibility under both of these definitions would be required.

The concept of this bill has been before the legislature repeatedly since 1985; it has been a proposal of the Silver-Haired Legislature since 1984; it was the subject of a Senate bill and a bipartisan-sponsored House bill last year; and it has been adopted in many states including Idaho, Oregon, Arizona, Iowa, and North Carolina. I would suggest that the time has come for the Kansas Legislature to stop merely voicing its support annually for in-home care and caregivers and to start acting to provide the needed incentives - the time has come to enact HB2052. Thank you.

KANSAS

DEPARTMENT OF HUMAN RESOURCES



ADVISORY COMMITTEE ON EMPLOYMENT OF THE HANDICAPPED

1430 S.W. Topeka Boulevard, Topeka, Kansas 66612-1877
913-296-1722 (Voice) • 913-296-5044 (TDD) • 561-1722 (KANS-A-N)

Mike Hayden, Governor

Dennis R. Taylor, Secretary

February 13, 1989

To: Members of the House Committee on Taxation

From: Mike Oxford
Legislative Liaison

Subject: House Bill 2052 (Income tax credit)

Thank you for the opportunity to appear before you. My comments will be brief.

Allowing a tax credit for people who provide in-home care is a good idea. Programs which provide in-home care currently do not allow family members to be reimbursed except in the most unusual circumstances. It is unfair, however, to place an age restriction on any such credit. People of all ages use in-home services. These services cost the same to everyone regardless of age. Therefore, this age restriction should be removed.

This tax credit also does not address individuals who are paying for their own care. Many people who use in-home care are individuals who work or otherwise are responsible for paying for all of their needs. Such individuals should be allowed the benefit of this tax credit as well.

The Department of Human Resources Advisory Committee on Employment of the Handicapped would support House Bill 2052 with these amendments.

Thank you for your time. I would be glad to answer any questions.

ws:a:h2052

*2/13/89
Attachment 2*

HOUSE BILL NO. 2052

An Act relating to income taxation; allowing credits for in-home care of institution bound frail or disabled persons.

Mr. Chairperson and members of the committee: I am Arthur Harvey, Lyons, Rice County, Kansas. I am a Silver Haired Legislator. Thank you for the privilege to speak in support of H.B. 2052.

BACKGROUND HISTORY

1. 1984 & 1985 SHL proposed income tax credit for in-home care of a dependent elder. See SHL # 103.
2. 1985 Kansas Legislature considered the proposal in H.B. 2350. Proposal died in Committee.
3. 1986 SHL revived the proposal in #305.
4. 1987 SHL Resolution #405 encouraged Kansas Lawmakers to enact H.B. 2352. Remained in House Committee.
5. 1988 SHL proposed the theme in #510.
1988 Kansas Legislature instituted Public Health & Welfare Interim-Committee Study. (Subject material: H.B. 2924)

From the Kansas Legislative Research Department, November 4, 1988:

"Testimony given before the Committee indicates the the services that can be provided for the functionally disabled ... by unlicensed persons are nowhere set out in the Kansas Laws.

"The Committee heard from a number of individuals who wish to self-direct their own care, ... These individuals do not want a nurse or social worker supervising the services they receive. This type of conferee generally expressed dissatisfaction with services provided through a home health agency as being too rigid and professionally directed, rather than being responsive to their schedules and needs. ... They requested that legislation be enacted that would clarify

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Attachment 3

that personal care, in-home services may be provided by unlicensed persons who are independent providers and not affiliated with licensed agency ...". There was opposition to this view.

MOTIVATION FOR THE PROPOSAL

General: To delay or possibly preclude institutionalization of a care-recipient in a residential situation in which some degree of health care and/or custodial care may be supplied by a care-giver (other than a skilled or technologically trained person) for an older person whose functional impairments prevent his or her ability to perform necessary daily actions in the home.

Specifics: Personal care assistance in bathing; preparing food; laundry; house keeping duties; correspondence; medical appointments and similar activities.

State Department SRS:

"This legislation is necessary to encourage family members or other interested persons to provide financial support to help offset the expenses of care for the frail/vulnerable elderly."

(From the same source -SRS) "Support by family caregivers is eroding. With an increase in two career, young families there are not family members available to provide the personal care."

- A. Medicare regulations will not permit pay for in-home care services except when there is acute illness which requires part-time skilled health care.
- B. Catastrophic Medicare Coverage Act of 1988 will offer but little care-help. It does not cover many benefits for long-term care. Custodial nursing home care is not covered by medicare.
- C. The Catastrophic Coverage of 1988 will prove to be a costly venture for many over the age of 65 years.
- D. In Kansas there are some 437,000 over the age of 60 (1988

quotation by Kansas State Legislative Committee - AARP)

- E. "Approximately 80% of the care of the frail elderly is provided in the home setting by the family." (Testimony: SHL #405 1987)

ENDORSEMENTS

1. Kansas Department on Aging.
2. Kansas Councils on Aging.
3. Social Rehabilitation Services (SRS)
4. Kansas Coalition on Aging.
5. Kansas Retired Teachers' Association (KRTA)
6. Kansas and National American Association of Retired Persons.

BENEFITS TO RECIPIENTS

1. Enhances a degree in the quality of life for older citizens.
2. Minimizes the real or imagined stigma which can be attached to institutionalization.
3. Permits residency among friends and kinsmen with in-home surroundings.
4. Permits the retention of pride and dignity which comes with independency and freedom from regimented commercial care-facilities.
5. Helps deter mental depression in care-recipients.
6. Helps sustain hope for evasion from institutional care.
7. Benefits many for whom outside care proves too expensive to be afforded.
8. Sustains an emotional expression composed by John Howard Payne:
"Mid pleasures and Palaces, though we may roam, Be it ever so humble, there's no place like home."

BENEFITS TO CARE-GIVER

1. Serves as a transition period of time prior to a possible required move to intensive-care facility. Lessens trauma, if this adjustment is required.
2. Compensates in some degree for expense incurred by re-modeling a domicile.
- 3/ Compensates in part for possible loss of employment income.
4. Helps compensate for required travel costs, conference fees and other contingencies.
5. Helps pay for added home-costs: utilities, food, and home furnishings.
6. Sustains the belief that Kansans are compassionate people.
7. Love and concern for elder people will not alone pay the cost involved in in-home care.

INDICATORS FOR NEED

1. Based on population projections and related health responsibilities multiple thousands of Kansans will need long-term care.
(Institutionalization or in-home care)
2. It is estimated that 15% to 20% of the aged above 65 years will eventually be in a nursing home or nursing facility
3. The average stay in a nursing home is 2½ years.
4. U.S. Select Committee on Aging (1985) found through hearings that the primary factors leading to institutionalization were:
 - A. Absence of family
 - B. Exhaustion of personal or family resources.
 - C. Over-accumulation of burdens on existing family members.

COST RELATED FACTORS

1. A Study by the U.S. House Select Committee on Aging. 1987:
 - a. 2/3 of individuals and 1/3 of couples aged 66 plus will spend themselves into poverty in 13 weeks, if stricken

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by chronic illness that requires long-term care. (Cite: Kansas Dept. on Aging. Advocate September 1988.)

- b. Nursing home care is the largest catastrophic expense for individuals over 65. These costs are reported as being \$15,000 to \$50,000 per year. In this age category, 2/3 are impoverished in one year of time. (Ibid)

THE KANSAS STATUS

1. Kansas ranks 13th in the nation in proportion of older adults over 65 years of age. (Kans. Aging Issues, Long-Term care. Chapter 10, Nov. 1988)
2. Kansas ranks 45th in spending per capita (\$1.20) on state funded long term care for the elderly. (Cite: #1 above)
3. "People have to be rich or poor, or nearly poor and lucky to get in-home care in Kansas. For most people, in-home care is unavailable and nursing homes are the only alternative when disability makes independent living impossible. Medicaid is the only solution for the poor. Some qualify for Home Community Based Services only if resources are no greater than \$1,000 and income is no greater than \$1,900 and income after medical expenses is no greater than \$354 a month." (Dr. Lyndon Drew, Kansas Department on Aging. Kansas Aging Issues, Nov. 1988)
4. Statistics indicate that 27,000 elderly Kansans live in nursing homes. (KINH. 913 Tennessee, Lawrence, KS. 33044)
5. Reliable sources indicate that "What most of the elderly people *fear* are disability and poverty." (Long-Term Care for Elderly, Focus On. June, 1988. John Susla, 2001 Street, N.W. Washington, D.C.)

SUMMARY

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1. A Kansas tax-credit incentive would offer care-givers and families an alternative to care for dear friends and relatives.
2. It would delay institutionalization for many and save dollars for the care-recipient.
3. We submit that the tax-credit indirect loss of revenue to Kansas is exceedingly smaller than that of early institutionalization.
4. We recognize values in the quality of living that are not in our ability to measure in dollars.
5. We heartily support the move from \$250 for each institution bound elderly person to proposed \$600.
6. We support a change of SHL #510 wording concerning the financial status of the prospective institution bound individual to conform to the current H.B. #2052 the intent to convey that the recipient be eligible for "state financial assistance." See line: 37 on the printed bill.
7. Popularity of the in-home care concept: The 1988 SHL passed its Bill proposal #510 with a vote of 95 to 14. Sponsors represented 20 counties and a population of about 100,000.

THE BILL:

1. Allows a tax Credit for in-home care of institution-bound frail and elderly or disabled person.
2. The proposed legislation is not mandatory. Permissive.
3. Credit is allowed only if gross income in taxable year is \$40,000 or less for a couple, or \$20,000 or less for an individual.
4. Credit is \$600 per person residing in taxpayer's home for whom in-home care has been provided for at least 6 months.
5. Credits can not be claimed for more than 3 persons, with only one being unrelated to taxpayer.

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6. Credits are available only for persons 65 years of age or older.
7. Credit shall not exceed amount of tax imposed.
8. The dependent receiving care must have chronic physical or mental limitations, and be a Kansas citizen.
9. Stringent limitations do not offer an incentive for profit making.
10. The bill embodies the concepts of humanitarianism and compassion.

(POSSIBLE IMPROVEMENTS- INTROSPECTION)

1. Tax credit should be refundable so that low-income taxpayers would be eligible for the credit for their dependent care expenses.
2. A provision to allow for out-of-home care expenses as well as in-home care to allow flexibility in care arrangements.
3. Amend the age restriction so that younger persons with Alzheimer's disease could qualify for in-home care.

(POSTSCRIPTS)

"It may be that most elderly people fear nursing homes than fear death." - Dr. Karl Menninger.

Gerontologists have done their work well. However, we seem to have perfected our means and lost sight of goals in reality for the quality of life for many of our elderly.

Many of the elderly today are caught up in a socio-economic culture (factor) change which places them in a situation from which they see no exit within the capacity of their own abilities and options.

Mr. Chairman and Committee members: I thank you for your kindly reception of my testimony.