

MINNESOTA • REVENUE

INDIVIDUAL INCOME TAX Home Care Credit

March 19, 2007

Department of Revenue
Analysis of S.F. 696 (Rest), 1st Engrossment

	Yes	No
DOR Administrative Costs/Savings	X	

	Fund Impact			
	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>	<u>F.Y. 2010</u>	<u>F.Y. 2011</u>
			(000's)	
General Fund	\$0	(\$45,000)	(\$53,200)	(\$62,000)

Effective beginning with tax year 2008.

EXPLANATION OF THE BILL

This bill provides a refundable income tax credit to individuals who provide in-home personal care assistant services to a relative who would otherwise be eligible for a nursing home or other long-term care facility. To be eligible for the credit, an individual would have to be certified by their county's long-term care consultation team. The long-term care consultation team would be responsible for certifying that personal care assistance is needed and provided on a daily basis, that the care is appropriate for the recipient's needs and likely to delay or avoid transferring the person to an out-of-home placement.

An individual will be allowed a credit equal to \$200 for each month during the year that the individual is a caregiver. This credit amount is reduced to \$100 for any month in which the service recipient receives more than four hours per day, on average, of government funded home care services. The maximum annual credit is capped at \$2,400. The credit is limited to people with household incomes that do not exceed the maximum household income eligible for a homeowner property tax refund; this income limit is indexed and was \$91,120 for 2006. Only one credit may be claimed for each service recipient in any one tax year. For each year in which a credit is claimed, the caregiver must attend at least 8 hours of caregiver training, education, counseling or caregiver support group sessions.

REVENUE ANALYSIS DETAIL

- According to a survey by the National Alliance for Caregiving (NAC) and AARP there were 44.4 million unpaid caregivers in the United States and 22.9 million households with at least one caregiver in 2004. Based on population, this translated into approximately 397,000 caregiver households in Minnesota. It was assumed that that each household would be eligible for no more than one caregiver credit.

REVENUE ANALYSIS DETAIL (Continued)

- According to the NAC survey, 31% of all caregivers provide “Level 4” or “Level 5” care. On average, Level 4 caregivers provide 33.1 hours of care per week and assist with 2.9 Activities of Daily Living (ADLs). Level 5 caregivers provide an average of 87.2 hours of care per week and assist with an average of 4.2 ADLs. ADLs include dressing, bathing, toileting, feeding, incontinence care, and assisting with moving in and out of bed or chairs. On average, both Level 4 and 5 caregivers assist with more than 5 Instrumental Activities of Daily Living (IADLs) such as giving medicines, preparing meals, housework, managing finances and arranging services. It was assumed that all Level 4 and Level 5 caregivers would meet the level of care criteria outlined in the bill.
- The number of caregivers providing Level 4 and 5 care was reduced by 13.6% to account for those whose household incomes exceed \$91,120.
- 91% of those surveyed said that the individual they provide care for does not reside in an assisted living facility.
- 83% of those surveyed care for a relative.
- 70% of those surveyed reported receiving no help from a paid nurse or aide.
- The estimate was reduced by 30% to account for people who share the burden of providing care with someone outside of their household.
- The estimate was reduced by 30% to account for people who would not complete the caregiver training requirement.
- The average credit was reduced to \$1,920 to account for individuals who receive government funded assistance and for caregivers that do not provide care for a full year.
- Annual caregiver growth was assumed to be 3% per year between 2004 and 2008 and was assumed to be 5% per year for 2009 and subsequent years.
- Implementation was assumed to be 80% in 2008, 90% in 2009, and 100% in subsequent years.
- Tax year impact was allocated to the following fiscal year.

Number of Taxpayers: Approximately 23,400 in 2008.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy