Family Caregiver Tax Credit
A Cost-Benefit Analysis

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Family Caregiving is Economically Important

- 80% of care for older adults is provided by (unpaid) family caregivers
- 192,390 Family Caregivers in Hawaii
- Total value of family caregiving services in Hawaii: $1.3 billion
Family Caregiving is Challenging

- Average Time Commitment: 21 hours/week
- Average annual out-of-pocket costs:
  - $2500-$4000
- Reduced work hours: 460 hours/year
- Average Lifetime wealth reduction: $659,000
Tax Credits as a Cushion

• SB 1199 SD2 – Tax Credit for Family Caregivers
  – Refundable
  – Adjusted for Income $1000 → $100
  – Eligibility Criteria
    • Care recipient is 60+ years old
    • Recipient requires care, based on doctor/nurse certification
    • Caregiver is related to care recipient
    • EITHER: caregiver lives with care recipient
      OR: caregiver provides 50% of finances for care recipient
Task Today: Cost Benefit Analysis

• **QUESTION**: What Costs Will Hawaii Bear for this Tax Credit? What Benefits will Hawaii experience?

• **TOOL**: Hawaii Caregiver Needs Assessment Survey, 2007
  (600 family caregivers providing care for a relative 60+ years old, stratified random sample)
  
  **TODAY**: Preliminary data, 485 respondents, unweighted
CONSEQUENCES

46,943 Family Caregivers will Claim a Credit.

Revenue Impact
$30.7 million (minus $2.3 million state tax revenue generated)

Figure 4: Caregiver Household Income

source: 2007 Caregiver Needs Assessment Survey and SB 1199 SD2
CONSEQUENCES

• Money Spent By Family Caregivers

  (Contingent Valuation: Spending Intentions of Family Caregivers Offered a Tax Credit)

  Personal and Family Spending 39.4%
  Retirement and Personal Savings 39.4%
  Professional Home Care/ Adult Daycare 21.2%
CONSEQUENCES

• $6.5 million stimulus to Professional Care Labor Market
  – Current Labor Market: 4,255 FTEs working in non-residential long-term care

<table>
<thead>
<tr>
<th>Stimulus</th>
<th>Wage</th>
<th>New FTE</th>
<th>% growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>$6.5 million</td>
<td>$7.36</td>
<td>459</td>
<td>10.8%</td>
</tr>
<tr>
<td>$6.5 million</td>
<td>$14.68</td>
<td>230</td>
<td>5.4%</td>
</tr>
</tbody>
</table>
Economic Benefits

Figure 5: Hypothetical Market Valuation
Additional Services Purchased with Tax Credits

additional services willing to purchase or supply

- supply curve
- demand curve
- market value
- consumer surplus
Economic Benefits

Demand for Home Care Services is Price Insensitive (virtually flat demand curve slope)
- maximum price elasticity of demand: -.36
- maximum demand curve slope: -.013

Consumer Surplus for Home Care Purchased is virtually nil
- low estimate: $329
- hi estimate: $1573
Economic Benefits

Employer Productivity Gains

Family Caregivers Juggling Full Time Employment: 48%

Estimated Employer Productivity Costs: $2,110/year

Caregiver Time Commitment Reduction
- low estimate: 0.87% (11 minutes per week)
- hi estimate: 1.74% (22 minutes per week)

Substantial Workplace Benefit of Tax Credit
- low estimate: $410,218
- hi estimate: $818,206
## Costs and Benefits

<table>
<thead>
<tr>
<th>Costs</th>
<th>Benefits</th>
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<tbody>
<tr>
<td>Reduced Economic Activity ($36.7 million)</td>
<td>Offsetting Combination of Increased Economic Activity and Substantial Savings Buffer</td>
</tr>
<tr>
<td></td>
<td>Surplus Personal Value of Home/Day Care: $1573</td>
</tr>
<tr>
<td></td>
<td>Workplace Productivity Gains: $818,206</td>
</tr>
</tbody>
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$34.4 million | $35.2 million
Cautions

1. Items Not Really Estimated in the Cost-Benefit
   • Personal Savings (40% of the credit)
   • Reduced Stress, Depression, Physical Strain
   • Reduced Poverty, Public Services
   • Initiation/Discontinuation of Family Caregiving

2. Contingent Valuation Relies on a Survey Instrument
Thank you

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Public Support

favor a tax credit,
yes, 94%

favor a tax credit,
no, 6%
Time Commitment

Figure 1: Hawaii Caregiver Time Commitment

average: 21.0 hours per week

source: Hawaii Caregiver Needs Assessment Survey - 2007
Figure 2: Caregiver Report of Financial Hardship Due to Caregiving Responsibilities

Reported Financial Hardship

Financial Hardship Reported By Caregiver

percent of caregivers

no hardship at all 1 2 3 4 5 significant hardship

0 10 20 30 40 50 60
Figure 3: Caregiver Self-Reported Costs

- $50,000 and over
- $10,000 to $49,999
- $5,000 to $9,999
- $2,000 to $4,999
- less than $1,999

Average: $12,276.67

Source: 2007 Caregiver Needs Assessment Survey
Figure 6: Tax Credit Necessary to Improve Financial Situation and State of Mind

average: $5,722.79

source: 2007 Caregiver Needs Assessment Survey