

# Family Caregiver Tax Credit

## A Cost-Benefit Analysis

David C. Nixon



COLLEGE OF SOCIAL SCIENCES

**public policy center**

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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

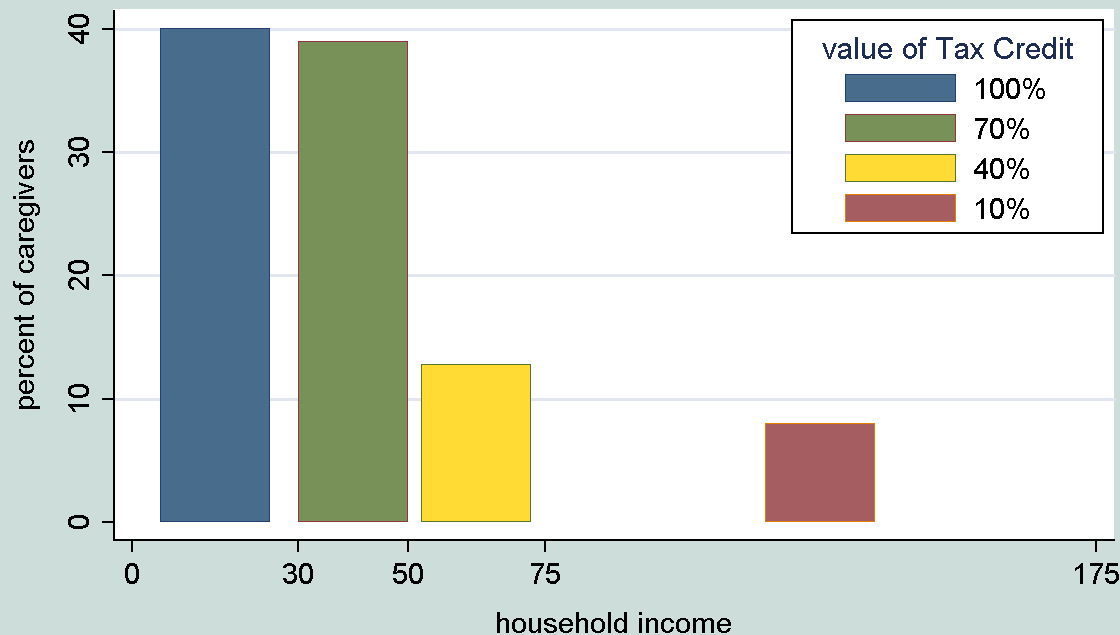
(600 family caregivers providing care for a relative 60+ years old, stratified random sample)

**TODAY:** Preliminary data, 485 respondents, unweighted

# CONSEQUENCES

46,943 Family Caregivers will Claim a Credit.

Figure 4: Caregiver Household Income



source: 2007 Caregiver Needs Assessment Survey and SB 1199 SD2

Revenue

Impact

**\$30.7 million**

(minus \$2.3 million  
state tax revenue  
generated)

# 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

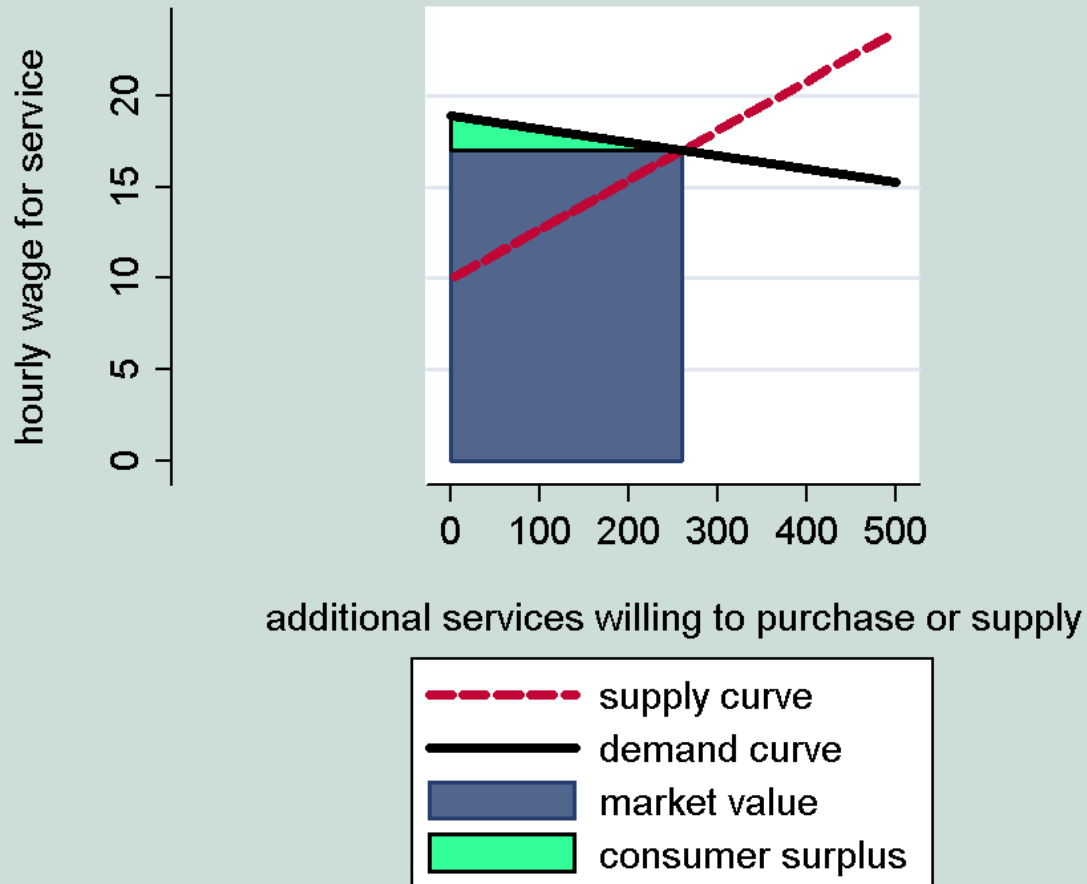
- \$6.5 million stimulus to Professional Care Labor Market
  - Current Labor Market: 4,255 FTEs working in non-residential long-term care

<u>Stimulus</u>	<u>Wage</u>	<u>New FTE</u>	<u>% growth</u>
\$6.5 million	\$7.36	459	10.8%
\$6.5 million	\$14.68	230	5.4%



# Economic Benefits

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



# 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

Costs	Benefits
Reduced Economic Activity (\$36.7 million)	Offsetting Combination of Increased Economic Activity and Substantial Savings Buffer
	Surplus Personal Value of Home/Day Care: \$1573
	Workplace Productivity Gains: \$818,206
<b>\$34.4 million</b>	<b>\$35.2 million</b>

# 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



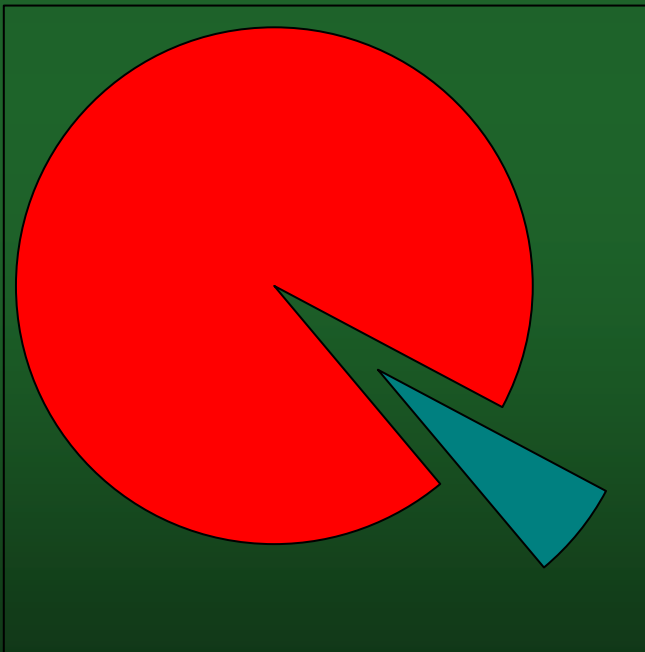
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# Public Support

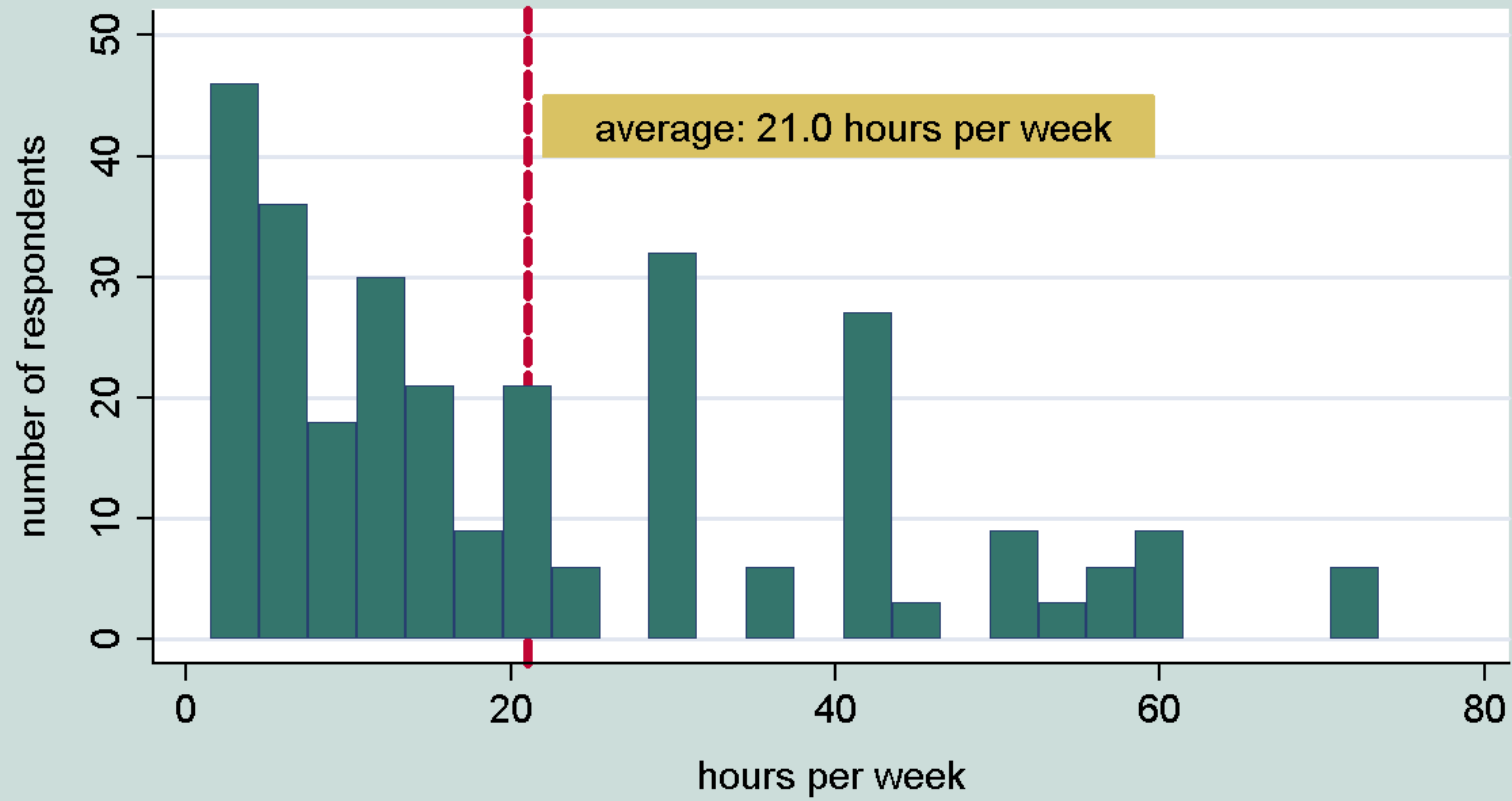
favor a tax  
credit,  
yes, 94%



favor a tax  
credit,  
no, 6%

# Time Commitment

## Figure 1: Hawaii Caregiver Time Commitment

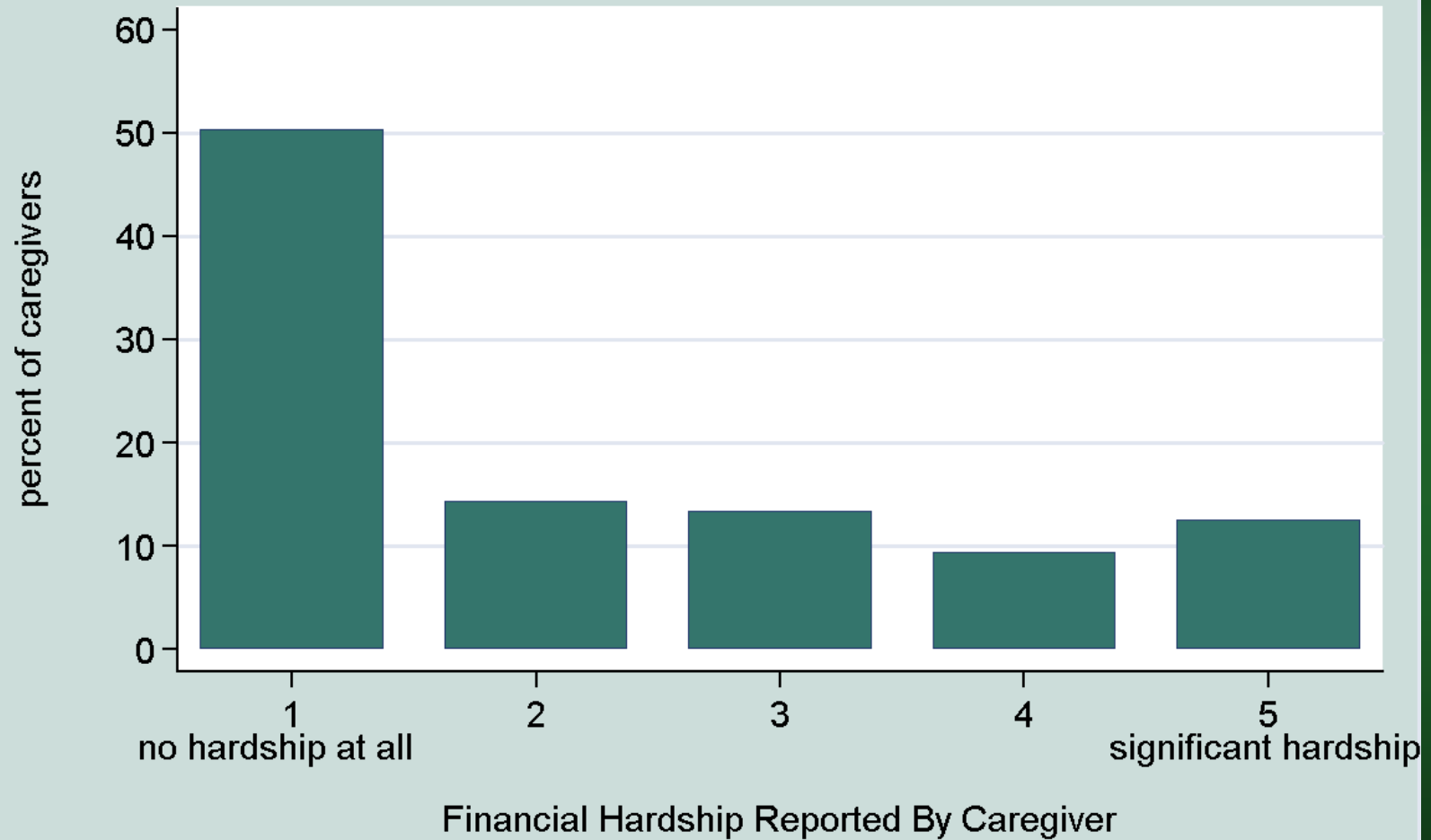


source: Hawaii Caregiver Needs Assessment Survey - 2007



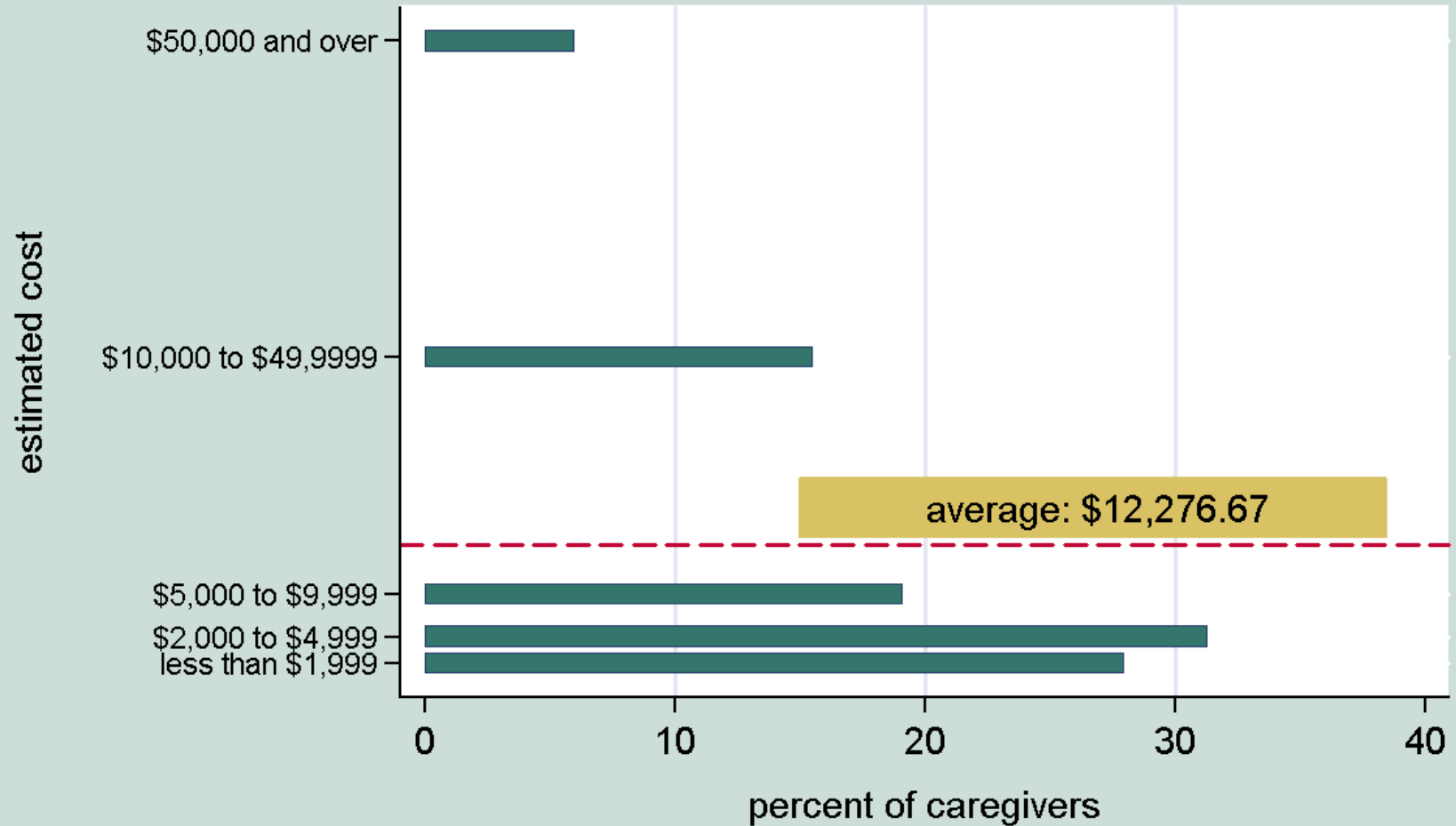
## Reported Financial Hardship

Figure 2: Caregiver Report of Financial Hardship Due to Caregiving Responsibilities



## Reported Financial Costs

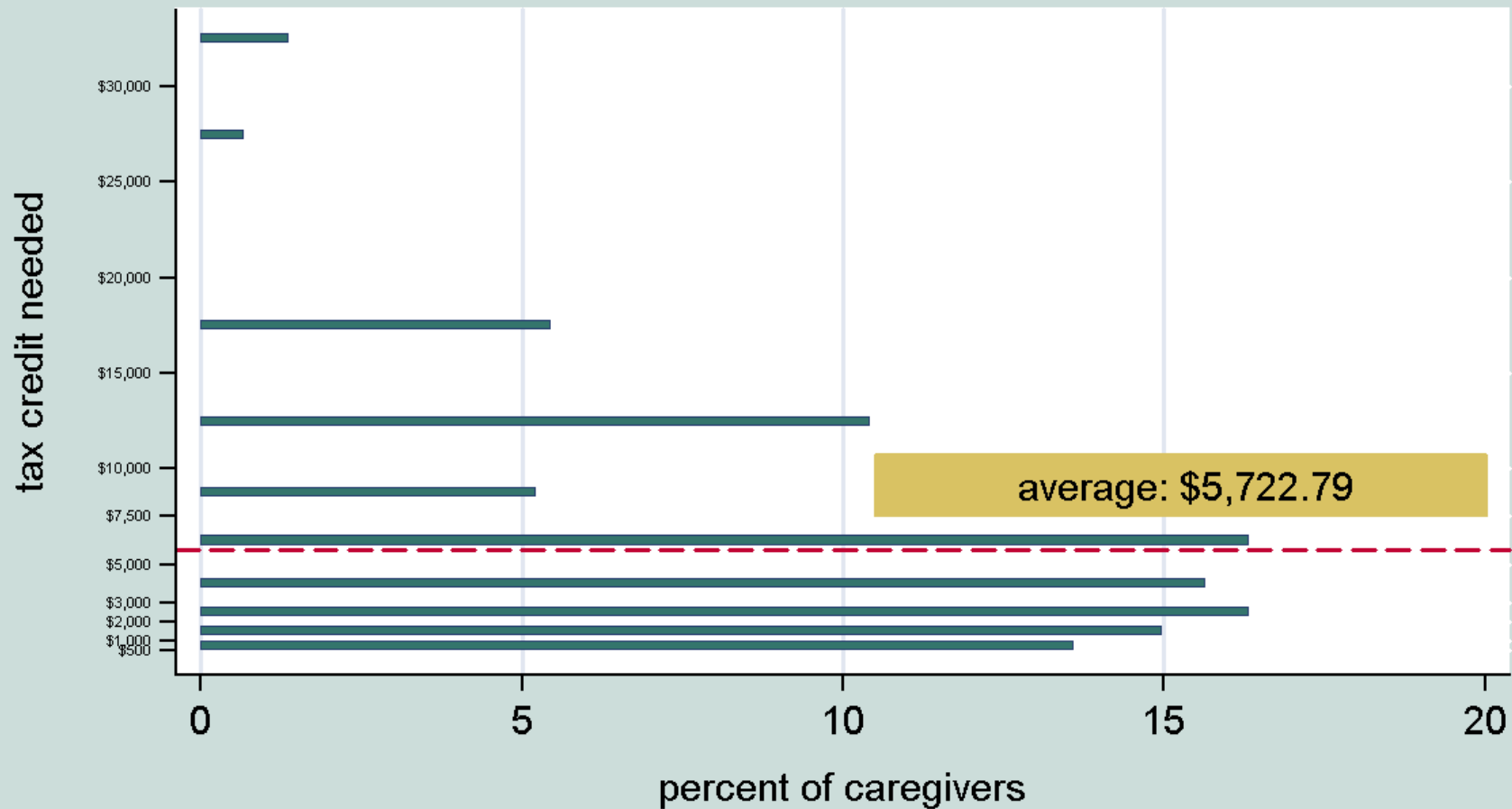
### Figure 3: Caregiver Self-Reported Costs



source: 2007 Caregiver Needs Assessment Survey

## Requested Support

### Figure 6: Tax Credit Necessary to Improve Financial Situation and State of Mind



source: 2007 Caregiver Needs Assessment Survey