

## **Credit for Caring Act of 2016**

### **AUCD Summary and Status**

June 24, 2016

The Credit for Caring Act of 2016 (H.R. 4708, S. 2759) will amend the Internal Revenue Code of 1986 by adding SEC 25.E, which describes a nonrefundable credit for working family caregivers. The amendment will provide support to family caregivers who choose to care for a family member with a disability instead of using state-sponsored institutional care.

The House (H.R. 4708) and Senate (S. 2759) bills describe the eligibility and limitations of the Credit for Caring Act. These bicameral bills are identical and have bipartisan support in both chambers. The House bill was sponsored by Rep. Tom Reed (R-NY-23) and introduced on March 3<sup>rd</sup>; it was referred to the House Committee on Ways and Means. The Senate bill was sponsored by Joni Ernst (R-IA) and introduced on April 7<sup>th</sup>; it was referred to the Senate Finance Committee.

The bill amends the Internal Revenue Code to allow an eligible caregiver a new tax credit for 30% of the cost of long-term care expenses that exceed \$2,000, up to \$3,000 in a taxable year. The bill defines "eligible caregiver" as an individual who pays or incurs expenses for providing care to a spouse or other dependent relative with long-term care needs and who has earned income for the taxable year in excess of \$7,500. This credit applies to individuals with disabilities of all ages; however, the care recipient must meet a certain functional or cognitive limitations or another conditions specified in the bill. In addition, a licensed health provider must certify the Individuals who receive care.

The tax credit in this bill can relieve families of the financial strain that is often incurred when providing home care to a loved one with a disability. The credit can help family caregivers with expenses such as assistive technology, home care aids, respite care, and other expenses. Assistive technology can enable a person with disabilities to remain safely at home instead of residing in an institution or nursing home. A home care aid can attend to a person with disabilities when the family caregiver is at work, allowing them to retain full-time employment. Respite care can relieve a caregiver for brief periods of time to attend to their own own physical and emotional health needs.

The dollar amounts and income levels in the tax credit are indexed to inflation. Adjustments for existing tax benefits are included to prevent double counting of expenses. The credit is reduced for caregivers with a single or joint household income that exceeds a threshold level. As of Jun 24<sup>th</sup>, a CBO Cost Estimate for this measure has not been received. This amendment applies to taxable years beginning after December 2015.