Tax Policy to Improve Access to Home Care

Background

The Home Care Association of America (HCAOA) has long advocated for policy solutions that enhance access to quality care while reducing financial burdens on families. One of the most effective approaches in achieving this goal is through **targeted tax credits for families seeking affordable and quality home care, a policy supported by lawmakers on both sides of the aisle.**

By adopting this policy, lawmakers can empower families, strengthen the caregiving workforce, and address systemic challenges in the healthcare system. HCAOA calls on policymakers to prioritize this critical initiative, recognizing its transformative potential for caregivers, recipients, and the industry.

15 Million — Number of Americans who currently rely on home care services, though not everyone who needs care can access it.

47% — Percentage of caregivers who report assuming credit card debt due to caregiving responsibilities.

53 Million — Number of adults providing unpaid care to a spouse, elderly parent, relative, or special-needs child.

80 Million — Number of Americans ages 65 and older will more than double, reaching 80 million, by 2040.

The Case for a Refundable Tax Credit

- A **refundable tax credit** tailored for home care expenses provides targeted financial relief to families and caregivers who shoulder the costs of in-home services. This policy tool is particularly effective in addressing the needs of lower- and middle-income households, who often face the greatest financial challenges in accessing home care.

Why Tax Credits Over Other Tax Relief Options?

Credits

- Provides dollar-for-dollar relief and accessible to a broader demographic, including families with little or no tax liability.
- Refundable credits, structured to cover a clearly defined set of qualified expenses, simplify the process and increase participation rates. This ease of use ensures that more families can access the support they need.

Deductions

- Primarily benefits higher-income households by reducing taxable income, offering limited assistance to those in lower income brackets.
- In 2020, only **9%** of tax filers itemized deductions, compared to **31%** in 2017.
- Tax deductions require detailed record-keeping and itemization, which can be burdensome.

Advantaged Accounts

- Similar to deductions, not all family caregivers have access to tax-advantaged accounts.
- For example, while approximately 38 million Health Savings Accounts (HSAs) were reported in 2024 and usage continues to grow, HSAs are available only to consumers enrolled in High Deductible Health Plans.

Care at Home Reduces Systemic Costs

Home care services are more cost-effective than institutional care, such as nursing homes or assisted living facilities. Incentivizing home care through tax credits allows families to keep loved ones at home longer, reducing reliance on publicly funded programs like Medicaid and alleviating strain on hospitals and the healthcare system.

Enhance Workforce Participation

Financially supporting family caregivers allows many to remain in or return to the workforce. Without adequate support, caregivers often leave jobs to provide full-time care, resulting in lost income and reduced economic productivity. Tax credits can mitigate this impact, allowing caregivers to balance work and caregiving responsibilities more effectively.

Tax Credit Policy Design Considerations

- ***Clear Eligibility Criteria:*** To maximize effectiveness, tax credits should include clear eligibility guidelines, such as specific definitions of caregiving roles and qualified expenses. Transparency and simplicity in eligibility ensures that more families can access the credit without unnecessary hurdles.
- ***Flexibility in Application:*** Caregiving needs vary widely among families. A well-designed tax credit should encompass a range of eligible expenses, including in-home care services, medical supplies, and respite care. Flexibility allows families to tailor support to their unique circumstances.
- ***Regular Adjustments for Inflation:*** To maintain relevance and purchasing power, tax credits should be indexed to inflation. Regular adjustments ensure that the credit keeps pace with rising caregiving costs and remains an effective tool for financial relief.

Related Policy Solutions

While HCAOA believes a home care tax credit is the best path forward to provide meaningful, targeted financial relief to the millions of families and caregivers who need it, we support the following pieces of legislation:

- ***The Credit For Caring Act (118th Congress - S.3702, H.R.7165):*** *Allows an eligible caregiver a tax credit of up to $5,000 for 30% of the cost of long-term care expenses that exceed $2,000 in a taxable year.*
- ***Lowering Costs for Caregivers Act (119th Congress - H.R.138):*** *Allows individuals to use tax-free health savings accounts (HSAs) and flexible spending accounts (FSAs) on medical expenses for their parents and loved ones.*
- ***Homecare for Seniors Act (118th Congress - H.R.1795):*** *Allows tax-exempt distributions from health savings accounts to be used for qualified home care services such as assistance with eating, bathing, and dressing.*