

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1807

Bill Subtitle: TO PROVIDE AN INCOME TAX CREDIT FOR PREMIUM PAYMENTS MADE FOR A LONG-TERM CARE INSURANCE POLICY.

Basic Change :

Representative Lowery

Establishes an income tax credit for premium payments made by a taxpayer for a long-term care insurance policy for the benefit of the taxpayer. The credit is limited to \$750 for each taxpayer per tax year and cannot exceed the amount of income tax due. A credit is not allowed for premium payments deducted on the taxpayer's return as an itemized deduction or for premiums payments that were paid from a health savings account that is exempt from income tax. The Department of Finance and Administration and the Department of Health shall promulgate rules to implement the credit. The bill is effective for tax years beginning on or after January 1, 2013.

Revenue Impact :

FY2014 - \$16.85 m loss

FY2015 - \$35.35 m loss

Taxpayer Impact :

Taxpayers will be able to receive a tax credit if they are paying long term care insurance premiums as long as they are not taking a deduction for the premiums or using a health savings account to pay the premiums. Taxpayers will be required to complete a form and submit documentation of premiums paid.

Resources Required :

Update tax forms, instructions, return processing changes and computer programming changes.

Time Required :

Adequate time is provided

Procedural Changes :

Tax forms and instructions will need to be modified. Employees will need training.

Legal Analysis :

The definitions in the bill are intended to define *long-term care insurance policy* for purposes of determining what premiums may be claimed as a tax credit. Long-term care insurance is also defined under the Long Term Care Insurance Act of 2005, 23-97-304(7)(A). It would be more clear and would avoid possible conflicts if this bill adopted or referred to that definition, unless the intent is that a tax credit be allowed for a policy not defined by the Long Term Care Act. If this tax credit is intended to encompass something different from the Long Term Care Act, the definition section should be amended to be more concise so that the tax credit provision can be administered.

The bill includes an effective date of tax years beginning on or after January 1, 2013.