

DEPARTMENT OF TAXATION

2011 Fiscal Impact Statement

1. **Patron** T. Scott Garrett

3. **Committee** House Finance

4. **Title** Individual Income Tax: Long-Term Care
Insurance Tax Credit

2. **Bill Number** HB 1840

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would increase the amount of the credit an individual may claim for long-term care insurance premiums from 15 % to 30 % of the amount of the paid.

The bill would be effective for taxable years beginning on and after January 1, 2012.

6. **Budget amendment necessary:** No.

7. **Fiscal Impact Estimates are:** Preliminary. (See Line 8.)

7b. **Revenue Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2010-11	\$0	GF
2011-12	\$0	GF
2012-13	(\$1,200,000)	GF
2013-14	(\$1,200,000)	GF
2014-15	(\$1,200,000)	GF
2015-16	(\$1,200,000)	GF
2016-17	(\$1,200,000)	GF

8. **Fiscal implications:**

Administrative Costs

The Department of Taxation considers implementation of this bill as "routine," and does not require additional funding.

Revenue Impact

Because the percentage of the premiums eligible for the credit would double under this bill, it is expected that the amount of credits claimed if this bill is enacted would increase by 100%.

Since the inception of this credit, the highest amount claimed for a taxable year exceeded \$1.4 million in 2007. The lowest amount claimed was a little less than \$1 million in the 2006 taxable year, the initial taxable year the credit was available. Department of Taxation records show the total amount of this credit claimed on taxpayers' returns has averaged \$1.2 million for the 2006 through 2010 taxable years. As such, it is estimated that this bill would reduce General Fund revenue beginning in Fiscal Year 2013 and thereafter by approximately \$1.2 million annually.

9. Specific agency or political subdivisions affected: None.

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Current Law

Currently, a taxpayer is permitted to claim a credit against their individual income tax liability equal to 15% of qualified long-term care insurance premiums paid by the taxpayer during the taxable year pursuant to an insurance policy entered into on or after January 1, 2006. In order to qualify, the premiums paid by a taxpayer must be for long-term care insurance coverage for himself. Further, total credits allowed over the life of any policy cannot exceed 15% of the amount of premiums paid for the first 12 months of coverage.

Proposal

Under this bill, the amount of qualified premiums that qualify for the credit would increase from 15 to 30%.

The bill would be effective for taxable years beginning on and after January 1, 2012.

cc : Secretary of Finance

Date: 1/20/2011 dtm
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