

DEPARTMENT OF TAXATION

2012 Fiscal Impact Statement

1. **Patron** T. Scott Garrett

2. **Bill Number** HB 505

3. **Committee** House Finance

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

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

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 paid.

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

This is an Executive bill.

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

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

8. Fiscal implications:

Administrative Costs

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

Revenue Impact

This bill would reduce General Fund revenue by approximately \$1.2 million annually beginning in FY 2013. The revenue impact for this bill is assumed in the introduced Executive Budget.

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%.

This bill was passed in 2011 with an enactment clause that required the General Assembly the reenact the bill during the 2012 session.

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

Other Bills

Senate Bill 341 is identical to this bill.

cc : Secretary of Finance

Date: 01/23/2012 TG
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