INDIVIDUAL INCOME TAX
Long Term Care Insurance Credit

April 11, 2005

	Yes	No
Separate Official Fiscal Note Requested		X
Fiscal Impact		
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of H.F. 309 (Zellers) / S.F. 125 (LeClair)

	Fund Impact			
	F.Y. 2006	F.Y. 2007	F.Y. 2008	F.Y. 2009
	(000's)			
General Fund	($8,800)	($9,600)	($10,400)	($11,000)

Effective beginning with tax year 2005.

EXPLANATION OF THE BILL

Current Law: A nonrefundable income tax credit is allowed for premiums paid, and not deducted federally as an itemized deduction, for qualifying long term care insurance policies. The credit is equal to the lesser of $100 or 25% of the amount paid per beneficiary, with a maximum credit of $200 annually on a married-joint return, $100 for other filers.

Proposed Law: This bill would increase the maximum credit to $500 per individual and $1,000 per married-joint return with two beneficiaries.

REVENUE ANALYSIS DETAIL

- Simulation results are obtained using the House Income Tax Simulation (HITS 5.3) model. The simulations assume: (1) the same economic conditions used by the Minnesota Department of Finance for the forecast published in February 2005, and (2) individual income tax situations contained in a database of returns compiled for tax year 2002 by the Minnesota Department of Revenue. The HITS model extrapolates these data for the applicable tax years according to the economic assumptions of the Department of Finance.
- The tax year impact is allocated to the following fiscal year.

Number of Taxpayers: An estimated 30,000 income tax returns would benefit from this proposal in tax year 2005.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy

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