

February 8, 2021

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of H.F. 285 (Akland) / S.F. 463 (Draheim)

	Fund Impact			
	<u>F.Y. 2022</u>	<u>F.Y. 2023</u>	<u>F.Y. 2024</u>	<u>F.Y. 2025</u>
	(000's)			
General Fund	(\$15,000)	(\$15,100)	(\$15,300)	(\$15,400)

Effective beginning with tax year 2021.

EXPLANATION OF THE BILL

Current Law: A taxpayer is allowed a nonrefundable credit against the individual income tax for long-term care insurance policy premiums paid during the tax year, to the extent not deducted in determining taxable net income. The credit may be claimed for up to 25% of the premiums paid for each qualified beneficiary. A maximum of \$100 per year applies to each qualified beneficiary and a maximum total of \$200 per year for married couples. For a nonresident or part-year resident, the credit must be allocated based on the percentage of income attributable to Minnesota.

Proposed Law: The proposal would increase the credit to 100% of premiums, up to a maximum of \$250 for each qualified beneficiary. The maximum total credit for married joint filers would be \$500.

REVENUE ANALYSIS DETAIL

- The House Income Tax Simulation Model (HITS 7.0) was used to estimate the tax year revenue impact. These simulations assume the same economic conditions used by Minnesota Management and Budget for the forecast published in November 2020. The model uses a stratified sample of 2018 individual income tax returns compiled by the Minnesota Department of Revenue.
- Tax year impacts were allocated to the following fiscal year.

Number of Taxpayers: For tax year 2021, about 73,400 returns would receive an average reduction in tax of \$204.

Minnesota Department of Revenue
Tax Research Division
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