

HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 3
Version: As introduced

DATE: February 9, 2015

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Subject: Long-Term Care Workforce Development and Tax Policy

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Section

Article 1: Long-Term Care Workforce Development Policy

Overview

This article modifies the health professional education loan forgiveness program to allow additional health professionals to participate in the program, modifies nursing facility employee scholarship costs, directs the commissioner of employment and economic development to review existing workforce development programs in order to further the advancement of long-term care careers in Minnesota, and appropriates an unspecified amount for the health professional education loan forgiveness program and nursing facility employee scholarship costs.

- 1** **Creation of account.** Amends § 144.1501, subd. 2. Adds a new category of health professionals that may receive a grant through the health professional education loan forgiveness program. The new category includes professionals agreeing to practice in a nursing home or intermediate care facility for persons with a developmental disability. Professionals included in this new category include dentists, medical residents, midlevel practitioners, pharmacists, or other health care technicians that work in a field where the need is the greatest, as determined by the commissioner of health.

Section

- 2 **Employee scholarship costs and training in English as a second language.** Amends § 256B.431, subd. 36. Modifies nursing facility employee scholarship costs for the period between October 1, 2015, and September 30, 2017, by reducing the average hours of work per week required to be eligible, expanding the professions eligible, and expanding the eligible costs. Specifies that the rate increase for scholarship costs is an optional add-on that a facility must request from the commissioner and use for scholarships as specified. Allows nursing facilities that close beds during a rate year to request to have their scholarship adjustment recalculated by the commissioner for the remainder of the rate year to reflect the reduction in resident days compared to the cost report year.
- 3 **Direction to commissioner; long-term care workforce development.** Directs the commissioner of employment and economic development to review existing workforce development programs in order to further the advancement of long-term care careers in Minnesota. Requires the commissioner to report recommendations regarding training, retaining, and connecting employees to long-term care facilities in rural Minnesota to the legislative committees with jurisdiction over long-term care and workforce development by February 1, 2016.
- 4 **Appropriations.** Appropriates an unspecified amount in fiscal years 2016 and 2017 from the general fund to the commissioners of health and human services for the health professional education loan forgiveness program and nursing facility employee scholarship costs.

Article 2: Long-Term Care Tax Policy

Overview

This article establishes a long-term care savings plan. The plan would either be administered (1) by the commissioner of Minnesota Management and Budget (MMB) and the State Board of Investment (SBI) as a state trust account or (2) as deposit accounts with financial institutions that enter agreements with MMB. (The latter would occur only if MMB does not receive an acceptable proposal from an administrator for the state trust style plan.) Contributions to the plan would be tax deductible (up to \$1,000 per year for single and \$2,000 for married joint filers) and investment earnings exempt from Minnesota tax, if moneys in the account are used to either pay long-term care expenses or to buy long-term care insurance. (Federal tax would continue to apply.) If withdrawals are made for other purposes, both state income taxes and a 10 percent penalty applies.

In addition, the article provides a refundable state income tax credit to offset the 10 percent additional federal tax on early withdrawals from Individual Retirement Accounts (IRAs) and other qualified plans if the withdrawal is used to pay for long-term care expenses or insurance premiums.

Both provisions are effective for tax year 2015.

Section

1

Long-term care savings plan. Establishes a tax exempt savings plan for long-term care expenses. Contributions to plan would be tax deductible and investment earnings on the account would be tax exempt (Minnesota-only, federal income taxes would continue to apply) if they are used to pay for long-term care insurance premiums or long-term care expenses. Amounts used for other purposes would be subject to both Minnesota income tax and a 10 percent penalty. A \$200,000 contribution limit applies to each participant in the plan. This limit is indexed for inflation.

Subd. 1. Definitions. Defines the following terms:

- **Long-term care expense** is either the cost of care in a facility (e.g., a nursing home) or in-home care, if the individual is unable to independently perform multiple basic life functions.
- **Long-term care insurance premiums** are premiums as defined under the Minnesota long-term care insurance tax credit. (The credit references the federal income tax definition used for the itemized deduction for medical care expenses.)
- **Participant** is an individual who has an account under the program (i.e., with either the administrator designated by MMB or a financial institution who has entered an agreement with MMB if no plan administrator is designated).
- **Qualified individual** is someone who during the taxable year (1) has incurred long-term care expenses or (2) is age 50 or older and has paid long-term care insurance premiums.

Subd. 2. Commissioner duties; participation agreement. Establishes the long-term care savings plan and directs MMB to select an administrator for the plan. If MMB does not receive an acceptable proposal for an administrator, the commissioner can instead enter agreements with financial institutions to provide deposit accounts under the program.

Subd. 4. Long-term care savings plan trust. Establishes the Minnesota long-term care savings trust plan, if MMB selects an administrator under subdivision 2 (rather than agreeing with financial institutions to run this as a deposit account program). MMB is the trustee of the plan and is responsible for plan administration. An investment officer is charged with making the investment decisions, including selecting investment options, approving fees, and so forth. These decisions are subject to direction and guidelines established by SBI. MMB and SBI are given rule making authority for the program and SBI can contract for investment management of the trust assets.

Subd. 4. Authorized withdrawals. Authorizes qualified individuals to make withdrawals from the plan either to pay long-term care expenses or to pay long-term care insurance premiums. A 10 percent penalty applies (to be collected by MMB) for withdrawals by someone who is not a qualified individual or for a purpose other than:

- transferring money to a spouse (presumably to the spouse's account within the program);

Section

- paying long-term care expenses or insurance premiums; or
- paying expenses related to the death of a participant.

Effective date: Day following final enactment

- 2 **Non-qualified withdrawals.** Provides withdrawals from the plan that are not for a qualified purpose (same rules as outlined in section 1, subdivision 4) must be added to federal taxable income, subjecting them to Minnesota individual income taxation.

Effective date: Tax year 2015

- 3 **Subtraction for contributions and investment earnings.** Provides a subtraction from federal taxable income for amounts contributed to the long-term care savings plan and investment earnings on amounts in the account. Annual contributions are limited to \$1,000 (single and head of household filers) and \$2,000 (married joint filers). This, along with the provisions of section 5, has the effect of making the contributions deductible in computing state income tax and exempts the investment earnings from taxation.

Effective date: Tax year 2015

- 4 **Tax credit; early withdrawals from retirement plans for long-term care.** Allows a refundable state income tax credit equal to the 10 percent additional federal tax incurred for early withdrawals from IRAs or other qualified retirement plans, if the proceeds are used to pay for long-term care expenses (as defined under the federal itemized deduction for medical care) or to pay premiums on long-term care insurance. The additional tax (often referred to as a penalty) applies if the withdrawal is made by someone who is younger than age 59-½ and is not made under a series of substantially equal payments over a period of five or more years.

Effective date: Tax year 2015

- 5 **AMT exemption.** Exempts contributions to and investment earnings on long-term care savings accounts from Minnesota individual income taxation.

Effective date: Tax year 2015