HOUSE RESEARCH

Bill Summary

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Authors: O'Driscoll and others

Subject: Long term care credit

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This bill increases the rate for the long-term care insurance premiums credit from 25 percent to 50 percent of premiums paid and increases the maximum credit from $100 to $200 for individuals, and from $200 to $400 for married couples filing jointly if both spouses have policies.

Effective date: Tax year 2017.

Background. The Minnesota individual income tax allows a credit against the tax for long-term care insurance premiums paid. The credit equals 25 percent of the premiums paid, up to $100 for individuals and $200 for married couples who both have policies. The credit is not allowed for any premiums deducted by the taxpayer under the itemized deduction for medical expenses. Federal and state law allows long term care premiums to be deducted as itemized deductions, if the taxpayer itemizes deductions (rather than claiming the standard deduction) and to the extent that medical deductions exceed 10 percent of the taxpayer's adjusted gross income. The itemized deduction is limited to a modestly narrower group of long term care policies than the credit.