



House of Representatives

General Assembly

File No. 167

January Session, 2015

Substitute House Bill No. 6396

House of Representatives, March 23, 2015

The Committee on Aging reported through REP. SERRA of the 33rd Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING AN INCOME TAX DEDUCTION FOR LONG-TERM CARE INSURANCE PREMIUMS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subdivision (20) of subsection (a) of section 12-701 of the
2 general statutes is repealed and the following is substituted in lieu
3 thereof (*Effective from passage and applicable to taxable years commencing on*
4 *or after January 1, 2015*):

5 (20) "Connecticut adjusted gross income" means adjusted gross
6 income, with the following modifications:

7 (A) There shall be added thereto (i) to the extent not properly
8 includable in gross income for federal income tax purposes, any
9 interest income from obligations issued by or on behalf of any state,
10 political subdivision thereof, or public instrumentality, state or local
11 authority, district or similar public entity, exclusive of such income
12 from obligations issued by or on behalf of the state of Connecticut, any
13 political subdivision thereof, or public instrumentality, state or local

14 authority, district or similar public entity created under the laws of the
15 state of Connecticut and exclusive of any such income with respect to
16 which taxation by any state is prohibited by federal law, (ii) any
17 exempt-interest dividends, as defined in Section 852(b)(5) of the
18 Internal Revenue Code, exclusive of such exempt-interest dividends
19 derived from obligations issued by or on behalf of the state of
20 Connecticut, any political subdivision thereof, or public
21 instrumentality, state or local authority, district or similar public entity
22 created under the laws of the state of Connecticut and exclusive of
23 such exempt-interest dividends derived from obligations, the income
24 with respect to which taxation by any state is prohibited by federal
25 law, (iii) any interest or dividend income on obligations or securities of
26 any authority, commission or instrumentality of the United States
27 which federal law exempts from federal income tax but does not
28 exempt from state income taxes, (iv) to the extent included in gross
29 income for federal income tax purposes for the taxable year, the total
30 taxable amount of a lump sum distribution for the taxable year
31 deductible from such gross income in calculating federal adjusted
32 gross income, (v) to the extent properly includable in determining the
33 net gain or loss from the sale or other disposition of capital assets for
34 federal income tax purposes, any loss from the sale or exchange of
35 obligations issued by or on behalf of the state of Connecticut, any
36 political subdivision thereof, or public instrumentality, state or local
37 authority, district or similar public entity created under the laws of the
38 state of Connecticut, in the income year such loss was recognized, (vi)
39 to the extent deductible in determining federal adjusted gross income,
40 any income taxes imposed by this state, (vii) to the extent deductible in
41 determining federal adjusted gross income, any interest on
42 indebtedness incurred or continued to purchase or carry obligations or
43 securities the interest on which is exempt from tax under this chapter,
44 (viii) expenses paid or incurred during the taxable year for the
45 production or collection of income which is exempt from taxation
46 under this chapter or the management, conservation or maintenance of
47 property held for the production of such income, and the amortizable
48 bond premium for the taxable year on any bond the interest on which

49 is exempt from tax under this chapter to the extent that such expenses
50 and premiums are deductible in determining federal adjusted gross
51 income, (ix) for property placed in service after September 10, 2001, but
52 prior to September 11, 2004, in taxable years ending after September
53 10, 2001, any additional allowance for depreciation under subsection
54 (k) of Section 168 of the Internal Revenue Code, as provided by Section
55 101 of the Job Creation and Worker Assistance Act of 2002, to the
56 extent deductible in determining federal adjusted gross income, (x) to
57 the extent deductible in determining federal adjusted gross income, the
58 deduction allowable as qualified domestic production activities
59 income, pursuant to Section 199 of the Internal Revenue Code, (xi) to
60 the extent not properly includable in gross income for federal income
61 tax purposes for the taxable year, any income from the discharge of
62 indebtedness, in taxable years ending after December 31, 2008, in
63 connection with any reacquisition, after December 31, 2008, and before
64 January 1, 2011, of an applicable debt instrument or instruments, as
65 those terms are defined in Section 108 of the Internal Revenue Code, as
66 amended by Section 1231 of the American Recovery and Reinvestment
67 Act of 2009, the inclusion of which income in federal gross income for
68 the taxable year is deferred, as provided by said Section 1231, and (xii)
69 to the extent not properly includable in gross income for federal
70 income tax purposes, an amount equal to (I) any distribution from a
71 manufacturing reinvestment account not used in accordance with
72 subdivision (3) of subsection (c) of section 32-9zz to the extent that a
73 contribution to such account was subtracted from federal adjusted
74 gross income pursuant to clause (xix) of subparagraph (B) of this
75 subdivision in computing Connecticut adjusted gross income for the
76 current or a preceding taxable year, and (II) any return of money from
77 a manufacturing reinvestment account pursuant to subsection (d) of
78 section 32-9zz to the extent that a contribution to such account was
79 subtracted from federal adjusted gross income pursuant to clause (xix)
80 of subparagraph (B) of this subdivision in computing Connecticut
81 adjusted gross income for the current or a preceding taxable year.

82 (B) There shall be subtracted therefrom (i) to the extent properly
83 includable in gross income for federal income tax purposes, any

84 income with respect to which taxation by any state is prohibited by
85 federal law, (ii) to the extent allowable under section 12-718, exempt
86 dividends paid by a regulated investment company, (iii) the amount of
87 any refund or credit for overpayment of income taxes imposed by this
88 state, or any other state of the United States or a political subdivision
89 thereof, or the District of Columbia, to the extent properly includable
90 in gross income for federal income tax purposes, (iv) to the extent
91 properly includable in gross income for federal income tax purposes
92 and not otherwise subtracted from federal adjusted gross income
93 pursuant to clause (x) of this subparagraph in computing Connecticut
94 adjusted gross income, any tier 1 railroad retirement benefits, (v) to the
95 extent any additional allowance for depreciation under Section 168(k)
96 of the Internal Revenue Code, as provided by Section 101 of the Job
97 Creation and Worker Assistance Act of 2002, for property placed in
98 service after December 31, 2001, but prior to September 10, 2004, was
99 added to federal adjusted gross income pursuant to subparagraph
100 (A)(ix) of this subdivision in computing Connecticut adjusted gross
101 income for a taxable year ending after December 31, 2001, twenty-five
102 per cent of such additional allowance for depreciation in each of the
103 four succeeding taxable years, (vi) to the extent properly includable in
104 gross income for federal income tax purposes, any interest income
105 from obligations issued by or on behalf of the state of Connecticut, any
106 political subdivision thereof, or public instrumentality, state or local
107 authority, district or similar public entity created under the laws of the
108 state of Connecticut, (vii) to the extent properly includable in
109 determining the net gain or loss from the sale or other disposition of
110 capital assets for federal income tax purposes, any gain from the sale
111 or exchange of obligations issued by or on behalf of the state of
112 Connecticut, any political subdivision thereof, or public
113 instrumentality, state or local authority, district or similar public entity
114 created under the laws of the state of Connecticut, in the income year
115 such gain was recognized, (viii) any interest on indebtedness incurred
116 or continued to purchase or carry obligations or securities the interest
117 on which is subject to tax under this chapter but exempt from federal
118 income tax, to the extent that such interest on indebtedness is not

119 deductible in determining federal adjusted gross income and is
120 attributable to a trade or business carried on by such individual, (ix)
121 ordinary and necessary expenses paid or incurred during the taxable
122 year for the production or collection of income which is subject to
123 taxation under this chapter but exempt from federal income tax, or the
124 management, conservation or maintenance of property held for the
125 production of such income, and the amortizable bond premium for the
126 taxable year on any bond the interest on which is subject to tax under
127 this chapter but exempt from federal income tax, to the extent that
128 such expenses and premiums are not deductible in determining federal
129 adjusted gross income and are attributable to a trade or business
130 carried on by such individual, (x) (I) for a person who files a return
131 under the federal income tax as an unmarried individual whose
132 federal adjusted gross income for such taxable year is less than fifty
133 thousand dollars, or as a married individual filing separately whose
134 federal adjusted gross income for such taxable year is less than fifty
135 thousand dollars, or for a husband and wife who file a return under
136 the federal income tax as married individuals filing jointly whose
137 federal adjusted gross income for such taxable year is less than sixty
138 thousand dollars or a person who files a return under the federal
139 income tax as a head of household whose federal adjusted gross
140 income for such taxable year is less than sixty thousand dollars, an
141 amount equal to the Social Security benefits includable for federal
142 income tax purposes; and (II) for a person who files a return under the
143 federal income tax as an unmarried individual whose federal adjusted
144 gross income for such taxable year is fifty thousand dollars or more, or
145 as a married individual filing separately whose federal adjusted gross
146 income for such taxable year is fifty thousand dollars or more, or for a
147 husband and wife who file a return under the federal income tax as
148 married individuals filing jointly whose federal adjusted gross income
149 from such taxable year is sixty thousand dollars or more or for a
150 person who files a return under the federal income tax as a head of
151 household whose federal adjusted gross income for such taxable year
152 is sixty thousand dollars or more, an amount equal to the difference
153 between the amount of Social Security benefits includable for federal

154 income tax purposes and the lesser of twenty-five per cent of the Social
155 Security benefits received during the taxable year, or twenty-five per
156 cent of the excess described in Section 86(b)(1) of the Internal Revenue
157 Code, (xi) to the extent properly includable in gross income for federal
158 income tax purposes, any amount rebated to a taxpayer pursuant to
159 section 12-746, (xii) to the extent properly includable in the gross
160 income for federal income tax purposes of a designated beneficiary,
161 any distribution to such beneficiary from any qualified state tuition
162 program, as defined in Section 529(b) of the Internal Revenue Code,
163 established and maintained by this state or any official, agency or
164 instrumentality of the state, (xiii) to the extent allowable under section
165 12-701a, contributions to accounts established pursuant to any
166 qualified state tuition program, as defined in Section 529(b) of the
167 Internal Revenue Code, established and maintained by this state or
168 any official, agency or instrumentality of the state, (xiv) to the extent
169 properly includable in gross income for federal income tax purposes,
170 the amount of any Holocaust victims' settlement payment received in
171 the taxable year by a Holocaust victim, (xv) to the extent properly
172 includable in gross income for federal income tax purposes of an
173 account holder, as defined in section 31-51ww, interest earned on
174 funds deposited in the individual development account, as defined in
175 section 31-51ww, of such account holder, (xvi) to the extent properly
176 includable in the gross income for federal income tax purposes of a
177 designated beneficiary, as defined in section 3-123aa, interest,
178 dividends or capital gains earned on contributions to accounts
179 established for the designated beneficiary pursuant to the Connecticut
180 Homecare Option Program for the Elderly established by sections 3-
181 123aa to 3-123ff, inclusive, (xvii) to the extent properly included in
182 gross income for federal income tax purposes, fifty per cent of the
183 income received from the United States government as retirement pay
184 for a retired member of (I) the Armed Forces of the United States, as
185 defined in Section 101 of Title 10 of the United States Code, or (II) the
186 National Guard, as defined in Section 101 of Title 10 of the United
187 States Code, (xviii) to the extent properly includable in gross income
188 for federal income tax purposes for the taxable year, any income from

189 the discharge of indebtedness in connection with any reacquisition,
190 after December 31, 2008, and before January 1, 2011, of an applicable
191 debt instrument or instruments, as those terms are defined in Section
192 108 of the Internal Revenue Code, as amended by Section 1231 of the
193 American Recovery and Reinvestment Act of 2009, to the extent any
194 such income was added to federal adjusted gross income pursuant to
195 subparagraph (A)(x) of this subdivision in computing Connecticut
196 adjusted gross income for a preceding taxable year, [and] (xix) to the
197 extent not deductible in determining federal adjusted gross income,
198 the amount of any contribution to a manufacturing reinvestment
199 account established pursuant to section 32-9zz in the taxable year that
200 such contribution is made, and (xx) the amount of any premiums paid in
201 the taxable year for a long-term care insurance policy issued pursuant to
202 section 38a-501, 38a-528 or 38a-475.

203 (C) With respect to a person who is the beneficiary of a trust or
204 estate, there shall be added or subtracted, as the case may be, from
205 adjusted gross income such person's share, as determined under
206 section 12-714, in the Connecticut fiduciary adjustment.

207 Sec. 2. Subparagraph (B) of subdivision (20) of subsection (a) of
208 section 12-701 of the general statutes, as amended by section 50 of
209 public act 14-47, is repealed and the following is substituted in lieu
210 thereof (*Effective July 1, 2015, and applicable to taxable years commencing*
211 *on or after January 1, 2015*):

212 (B) There shall be subtracted therefrom (i) to the extent properly
213 includable in gross income for federal income tax purposes, any
214 income with respect to which taxation by any state is prohibited by
215 federal law, (ii) to the extent allowable under section 12-718, exempt
216 dividends paid by a regulated investment company, (iii) the amount of
217 any refund or credit for overpayment of income taxes imposed by this
218 state, or any other state of the United States or a political subdivision
219 thereof, or the District of Columbia, to the extent properly includable
220 in gross income for federal income tax purposes, (iv) to the extent
221 properly includable in gross income for federal income tax purposes

222 and not otherwise subtracted from federal adjusted gross income
223 pursuant to clause (x) of this subparagraph in computing Connecticut
224 adjusted gross income, any tier 1 railroad retirement benefits, (v) to the
225 extent any additional allowance for depreciation under Section 168(k)
226 of the Internal Revenue Code, as provided by Section 101 of the Job
227 Creation and Worker Assistance Act of 2002, for property placed in
228 service after December 31, 2001, but prior to September 10, 2004, was
229 added to federal adjusted gross income pursuant to subparagraph
230 (A)(ix) of this subdivision in computing Connecticut adjusted gross
231 income for a taxable year ending after December 31, 2001, twenty-five
232 per cent of such additional allowance for depreciation in each of the
233 four succeeding taxable years, (vi) to the extent properly includable in
234 gross income for federal income tax purposes, any interest income
235 from obligations issued by or on behalf of the state of Connecticut, any
236 political subdivision thereof, or public instrumentality, state or local
237 authority, district or similar public entity created under the laws of the
238 state of Connecticut, (vii) to the extent properly includable in
239 determining the net gain or loss from the sale or other disposition of
240 capital assets for federal income tax purposes, any gain from the sale
241 or exchange of obligations issued by or on behalf of the state of
242 Connecticut, any political subdivision thereof, or public
243 instrumentality, state or local authority, district or similar public entity
244 created under the laws of the state of Connecticut, in the income year
245 such gain was recognized, (viii) any interest on indebtedness incurred
246 or continued to purchase or carry obligations or securities the interest
247 on which is subject to tax under this chapter but exempt from federal
248 income tax, to the extent that such interest on indebtedness is not
249 deductible in determining federal adjusted gross income and is
250 attributable to a trade or business carried on by such individual, (ix)
251 ordinary and necessary expenses paid or incurred during the taxable
252 year for the production or collection of income which is subject to
253 taxation under this chapter but exempt from federal income tax, or the
254 management, conservation or maintenance of property held for the
255 production of such income, and the amortizable bond premium for the
256 taxable year on any bond the interest on which is subject to tax under

257 this chapter but exempt from federal income tax, to the extent that
258 such expenses and premiums are not deductible in determining federal
259 adjusted gross income and are attributable to a trade or business
260 carried on by such individual, (x) (I) for a person who files a return
261 under the federal income tax as an unmarried individual whose
262 federal adjusted gross income for such taxable year is less than fifty
263 thousand dollars, or as a married individual filing separately whose
264 federal adjusted gross income for such taxable year is less than fifty
265 thousand dollars, or for a husband and wife who file a return under
266 the federal income tax as married individuals filing jointly whose
267 federal adjusted gross income for such taxable year is less than sixty
268 thousand dollars or a person who files a return under the federal
269 income tax as a head of household whose federal adjusted gross
270 income for such taxable year is less than sixty thousand dollars, an
271 amount equal to the Social Security benefits includable for federal
272 income tax purposes; and (II) for a person who files a return under the
273 federal income tax as an unmarried individual whose federal adjusted
274 gross income for such taxable year is fifty thousand dollars or more, or
275 as a married individual filing separately whose federal adjusted gross
276 income for such taxable year is fifty thousand dollars or more, or for a
277 husband and wife who file a return under the federal income tax as
278 married individuals filing jointly whose federal adjusted gross income
279 from such taxable year is sixty thousand dollars or more or for a
280 person who files a return under the federal income tax as a head of
281 household whose federal adjusted gross income for such taxable year
282 is sixty thousand dollars or more, an amount equal to the difference
283 between the amount of Social Security benefits includable for federal
284 income tax purposes and the lesser of twenty-five per cent of the Social
285 Security benefits received during the taxable year, or twenty-five per
286 cent of the excess described in Section 86(b)(1) of the Internal Revenue
287 Code, (xi) to the extent properly includable in gross income for federal
288 income tax purposes, any amount rebated to a taxpayer pursuant to
289 section 12-746, (xii) to the extent properly includable in the gross
290 income for federal income tax purposes of a designated beneficiary,
291 any distribution to such beneficiary from any qualified state tuition

292 program, as defined in Section 529(b) of the Internal Revenue Code,
293 established and maintained by this state or any official, agency or
294 instrumentality of the state, (xiii) to the extent allowable under section
295 12-701a, contributions to accounts established pursuant to any
296 qualified state tuition program, as defined in Section 529(b) of the
297 Internal Revenue Code, established and maintained by this state or
298 any official, agency or instrumentality of the state, (xiv) to the extent
299 properly includable in gross income for federal income tax purposes,
300 the amount of any Holocaust victims' settlement payment received in
301 the taxable year by a Holocaust victim, (xv) to the extent properly
302 includable in gross income for federal income tax purposes of an
303 account holder, as defined in section 31-51ww, interest earned on
304 funds deposited in the individual development account, as defined in
305 section 31-51ww, of such account holder, (xvi) to the extent properly
306 includable in the gross income for federal income tax purposes of a
307 designated beneficiary, as defined in section 3-123aa, interest,
308 dividends or capital gains earned on contributions to accounts
309 established for the designated beneficiary pursuant to the Connecticut
310 Homecare Option Program for the Elderly established by sections 3-
311 123aa to 3-123ff, inclusive, (xvii) to the extent properly includable in
312 gross income for federal income tax purposes, fifty per cent of the
313 income received from the United States government as retirement pay
314 for a retired member of (I) the Armed Forces of the United States, as
315 defined in Section 101 of Title 10 of the United States Code, or (II) the
316 National Guard, as defined in Section 101 of Title 10 of the United
317 States Code, (xviii) to the extent properly includable in gross income
318 for federal income tax purposes for the taxable year, any income from
319 the discharge of indebtedness in connection with any reacquisition,
320 after December 31, 2008, and before January 1, 2011, of an applicable
321 debt instrument or instruments, as those terms are defined in Section
322 108 of the Internal Revenue Code, as amended by Section 1231 of the
323 American Recovery and Reinvestment Act of 2009, to the extent any
324 such income was added to federal adjusted gross income pursuant to
325 subparagraph (A)(x) of this subdivision in computing Connecticut
326 adjusted gross income for a preceding taxable year, (xix) to the extent

327 not deductible in determining federal adjusted gross income, the
 328 amount of any contribution to a manufacturing reinvestment account
 329 established pursuant to section 32-9zz in the taxable year that such
 330 contribution is made, [and] (xx) to the extent properly includable in
 331 gross income for federal income tax purposes, for the taxable year
 332 commencing January 1, 2015, ten per cent of the income received from
 333 the state teachers' retirement system, for the taxable year commencing
 334 January 1, 2016, twenty-five per cent of the income received from the
 335 state teachers' retirement system, and for the taxable year commencing
 336 January 1, 2017, and each taxable year thereafter, fifty per cent of the
 337 income received from the state teachers' retirement system, and (xxi)
 338 the amount of any premiums paid in the taxable year for a long-term
 339 care insurance policy issued pursuant to section 38a-501, 38a-528 or
 340 38a-475.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage and applicable to taxable years commencing on or after January 1, 2015</i>	12-701(a)(20)
Sec. 2	<i>July 1, 2015, and applicable to taxable years commencing on or after January 1, 2015</i>	12-701(a)(20)(B)

Statement of Legislative Commissioners:

In the effective date for Section 1, "tax years" was changed to "taxable years", for consistency and Section 2 was added to restore language added in public act 14-47 which becomes effective July 1, 2015.

AGE *Joint Favorable Subst. -LCO*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 16 \$	FY 17 \$
Department of Revenue Services	GF - Revenue Loss	17.5 million	18.9 million
Department of Revenue Services	GF - Cost	30,000	None

Municipal Impact: None

Explanation

The bill establishes a state income tax deduction for long-term care insurance premiums paid effective January 1, 2015. This is estimated to result in a General Fund revenue loss of approximately \$17.5 million in FY 16 and \$18.9 million in FY 17, as well as a one-time cost to the Department of Revenue Services of \$30,000 in FY 16 associated with updates to the online Taxpayer Service Center (\$20,000) and scanning and printing costs (\$10,000).

The revenue estimate is based on information from the American Association of Long Term Care Insurers and the University of Connecticut Health Center indicating that approximately 114,600 Connecticut residents have purchased long-term care insurance policies, with an approximate 10,500 policies purchased annually, at an average annual premium of \$3,000. An annual attrition rate of approximately 770 policies is also assumed, based on mortality data from the Department of Public Health.

The Out Years

State Impact:

Agency Affected	Fund-Effect	FY 18 \$	FY 19 \$	FY 20 \$
-----------------	-------------	----------	----------	----------

Department of Revenue Services	GF - Revenue Loss	20.4 million	21.9 million	23.4 million
Department of Revenue Services	GF - Cost	None	None	None

Municipal Impact: None

*Sources: American Association of Long Term Care Insurers
Department of Revenue Services Income Tax Data
University of Connecticut Health Center*

OLR Bill Analysis**sHB 6396*****AN ACT CONCERNING AN INCOME TAX DEDUCTION FOR LONG-TERM CARE INSURANCE PREMIUMS.*****SUMMARY:**

This bill creates a personal income tax deduction for long-term care (LTC) insurance premiums. It allows taxpayers to reduce their Connecticut adjusted gross income by the amount of any LTC premiums they paid in the taxable year.

Under the bill, eligible premiums are those for individual or group LTC insurance policies that provide benefits for treating an injury, illness, or loss of functional capacity in a setting other than an acute care hospital (e.g., a nursing home or an insured's home). An LTC policy does not include a policy that primarily provides Medicare supplemental coverage or major medical expense coverage, among other exclusions.

EFFECTIVE DATE: Upon passage and applicable to taxable years beginning on or after January 1, 2015.

COMMITTEE ACTION

Aging Committee

Joint Favorable

Yea 13 Nay 0 (03/05/2015)