



# Senate

General Assembly

**File No. 146**

*January Session, 2015*

Senate Bill No. 289

*Senate, March 23, 2015*

The Committee on Aging reported through SEN. FLEXER of the 29th Dist., Chairperson of the Committee on the part of the Senate, that the bill ought to pass.

***AN ACT PROVIDING A STATE INCOME TAX EXEMPTION FOR THE COST OF HOME HEALTH CARE SERVICES AND SUPPLIES.***

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

1 Section 1. Subparagraph (B) of subdivision (20) of subsection (a) of  
2 section 12-701 of the general statutes, as amended by section 50 of  
3 public act 14-47, is repealed and the following is substituted in lieu  
4 thereof (*Effective July 1, 2015, and applicable to taxable years commencing*  
5 *on and after January 1, 2016*):

6 (B) There shall be subtracted therefrom (i) to the extent properly  
7 includable in gross income for federal income tax purposes, any  
8 income with respect to which taxation by any state is prohibited by  
9 federal law, (ii) to the extent allowable under section 12-718, exempt  
10 dividends paid by a regulated investment company, (iii) the amount of  
11 any refund or credit for overpayment of income taxes imposed by this  
12 state, or any other state of the United States or a political subdivision  
13 thereof, or the District of Columbia, to the extent properly includable  
14 in gross income for federal income tax purposes, (iv) to the extent

15 properly includable in gross income for federal income tax purposes  
16 and not otherwise subtracted from federal adjusted gross income  
17 pursuant to clause (x) of this subparagraph in computing Connecticut  
18 adjusted gross income, any tier 1 railroad retirement benefits, (v) to the  
19 extent any additional allowance for depreciation under Section 168(k)  
20 of the Internal Revenue Code, as provided by Section 101 of the Job  
21 Creation and Worker Assistance Act of 2002, for property placed in  
22 service after December 31, 2001, but prior to September 10, 2004, was  
23 added to federal adjusted gross income pursuant to subparagraph  
24 (A)(ix) of this subdivision in computing Connecticut adjusted gross  
25 income for a taxable year ending after December 31, 2001, twenty-five  
26 per cent of such additional allowance for depreciation in each of the  
27 four succeeding taxable years, (vi) to the extent properly includable in  
28 gross income for federal income tax purposes, any interest income  
29 from obligations issued by or on behalf of the state of Connecticut, any  
30 political subdivision thereof, or public instrumentality, state or local  
31 authority, district or similar public entity created under the laws of the  
32 state of Connecticut, (vii) to the extent properly includable in  
33 determining the net gain or loss from the sale or other disposition of  
34 capital assets for federal income tax purposes, any gain from the sale  
35 or exchange of obligations issued by or on behalf of the state of  
36 Connecticut, any political subdivision thereof, or public  
37 instrumentality, state or local authority, district or similar public entity  
38 created under the laws of the state of Connecticut, in the income year  
39 such gain was recognized, (viii) any interest on indebtedness incurred  
40 or continued to purchase or carry obligations or securities the interest  
41 on which is subject to tax under this chapter but exempt from federal  
42 income tax, to the extent that such interest on indebtedness is not  
43 deductible in determining federal adjusted gross income and is  
44 attributable to a trade or business carried on by such individual, (ix)  
45 ordinary and necessary expenses paid or incurred during the taxable  
46 year for the production or collection of income which is subject to  
47 taxation under this chapter but exempt from federal income tax, or the  
48 management, conservation or maintenance of property held for the  
49 production of such income, and the amortizable bond premium for the

50 taxable year on any bond the interest on which is subject to tax under  
51 this chapter but exempt from federal income tax, to the extent that  
52 such expenses and premiums are not deductible in determining federal  
53 adjusted gross income and are attributable to a trade or business  
54 carried on by such individual, (x) (I) for a person who files a return  
55 under the federal income tax as an unmarried individual whose  
56 federal adjusted gross income for such taxable year is less than fifty  
57 thousand dollars, or as a married individual filing separately whose  
58 federal adjusted gross income for such taxable year is less than fifty  
59 thousand dollars, or for a husband and wife who file a return under  
60 the federal income tax as married individuals filing jointly whose  
61 federal adjusted gross income for such taxable year is less than sixty  
62 thousand dollars or a person who files a return under the federal  
63 income tax as a head of household whose federal adjusted gross  
64 income for such taxable year is less than sixty thousand dollars, an  
65 amount equal to the Social Security benefits includable for federal  
66 income tax purposes; and (II) for a person who files a return under the  
67 federal income tax as an unmarried individual whose federal adjusted  
68 gross income for such taxable year is fifty thousand dollars or more, or  
69 as a married individual filing separately whose federal adjusted gross  
70 income for such taxable year is fifty thousand dollars or more, or for a  
71 husband and wife who file a return under the federal income tax as  
72 married individuals filing jointly whose federal adjusted gross income  
73 from such taxable year is sixty thousand dollars or more or for a  
74 person who files a return under the federal income tax as a head of  
75 household whose federal adjusted gross income for such taxable year  
76 is sixty thousand dollars or more, an amount equal to the difference  
77 between the amount of Social Security benefits includable for federal  
78 income tax purposes and the lesser of twenty-five per cent of the Social  
79 Security benefits received during the taxable year, or twenty-five per  
80 cent of the excess described in Section 86(b)(1) of the Internal Revenue  
81 Code, (xi) to the extent properly includable in gross income for federal  
82 income tax purposes, any amount rebated to a taxpayer pursuant to  
83 section 12-746, (xii) to the extent properly includable in the gross  
84 income for federal income tax purposes of a designated beneficiary,

85 any distribution to such beneficiary from any qualified state tuition  
86 program, as defined in Section 529(b) of the Internal Revenue Code,  
87 established and maintained by this state or any official, agency or  
88 instrumentality of the state, (xiii) to the extent allowable under section  
89 12-701a, contributions to accounts established pursuant to any  
90 qualified state tuition program, as defined in Section 529(b) of the  
91 Internal Revenue Code, established and maintained by this state or  
92 any official, agency or instrumentality of the state, (xiv) to the extent  
93 properly includable in gross income for federal income tax purposes,  
94 the amount of any Holocaust victims' settlement payment received in  
95 the taxable year by a Holocaust victim, (xv) to the extent properly  
96 includable in gross income for federal income tax purposes of an  
97 account holder, as defined in section 31-51ww, interest earned on  
98 funds deposited in the individual development account, as defined in  
99 section 31-51ww, of such account holder, (xvi) to the extent properly  
100 includable in the gross income for federal income tax purposes of a  
101 designated beneficiary, as defined in section 3-123aa, interest,  
102 dividends or capital gains earned on contributions to accounts  
103 established for the designated beneficiary pursuant to the Connecticut  
104 Homecare Option Program for the Elderly established by sections 3-  
105 123aa to 3-123ff, inclusive, (xvii) to the extent properly includable in  
106 gross income for federal income tax purposes, fifty per cent of the  
107 income received from the United States government as retirement pay  
108 for a retired member of (I) the Armed Forces of the United States, as  
109 defined in Section 101 of Title 10 of the United States Code, or (II) the  
110 National Guard, as defined in Section 101 of Title 10 of the United  
111 States Code, (xviii) to the extent properly includable in gross income  
112 for federal income tax purposes for the taxable year, any income from  
113 the discharge of indebtedness in connection with any reacquisition,  
114 after December 31, 2008, and before January 1, 2011, of an applicable  
115 debt instrument or instruments, as those terms are defined in Section  
116 108 of the Internal Revenue Code, as amended by Section 1231 of the  
117 American Recovery and Reinvestment Act of 2009, to the extent any  
118 such income was added to federal adjusted gross income pursuant to  
119 subparagraph (A)(x) of this subdivision in computing Connecticut

120 adjusted gross income for a preceding taxable year, (xix) to the extent  
 121 not deductible in determining federal adjusted gross income, the  
 122 amount of any contribution to a manufacturing reinvestment account  
 123 established pursuant to section 32-9zz in the taxable year that such  
 124 contribution is made, [and] (xx) to the extent properly includable in  
 125 gross income for federal income tax purposes, for the taxable year  
 126 commencing January 1, 2015, ten per cent of the income received from  
 127 the state teachers' retirement system, for the taxable year commencing  
 128 January 1, 2016, twenty-five per cent of the income received from the  
 129 state teachers' retirement system, and for the taxable year commencing  
 130 January 1, 2017, and each taxable year thereafter, fifty per cent of the  
 131 income received from the state teachers' retirement system, and (xxi) to  
 132 the extent not deductible in determining federal adjusted gross  
 133 income, ordinary and necessary expenses paid or incurred during the  
 134 taxable year in an amount not to exceed sixty thousand dollars for the  
 135 cost of full-time home health care, including, but not limited to, the  
 136 cost of medical supplies and in-home services provided by  
 137 homemaker-home health aides and other home health care agency  
 138 providers as such services and providers are defined in section 19a-  
 139 490.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2015, and applicable to taxable years commencing on and after January 1, 2016</i>	12-701(a)(20)(B)

**AGE**      *Joint Favorable*

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:**

<b>Agency Affected</b>	<b>Fund-Effect</b>	<b>FY 16 \$</b>	<b>FY 17 \$</b>
Department of Revenue Services	GF - Revenue Loss	None	36.5 million
Department of Revenue Services	GF - Cost	None	126,000
State Comptroller - Fringe Benefits <sup>1</sup>	GF - Cost	None	37,104

**Municipal Impact:** None

**Explanation**

The bill establishes a state income tax deduction of up to \$60,000 for the cost of home health care beginning in 2016. This results in a revenue loss of \$36.5 million in FY 17 and a cost of \$163,104 in FY 17 and \$177,472 annually thereafter. The cost in FY 17 represents partial-year funding and includes one-time costs not incurred in subsequent years.

To administer the deduction, the Department of Revenue Services (DRS) would require two Revenue Examiners (\$64,000 for salary and \$24,736 for fringe costs each) for on-going audit and compliance, resulting in a total annualized cost of \$177,472.

The DRS would also incur a one-time cost of \$30,000 in FY 17 associated with updates to the online Taxpayer Service Center (\$20,000) and scanning and printing costs (\$10,000).

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<sup>1</sup>The fringe benefit costs for most state employees are budgeted centrally in accounts administered by the Comptroller. The estimated active employee fringe benefit cost associated with most personnel changes is 38.65% of payroll in FY 16 and FY 17.

The revenue estimate is based on data from the National Association for Home Care & Hospice indicating that approximately 12 million people receive home health care annually, of which approximately 135,000 are assumed to be in Connecticut.<sup>2</sup> Based on data from the Centers for Medicare & Medicaid Services it is assumed that the average annual cost of home health care per capita is \$6,000.

**The Out Years**

**State Impact:**

<b>Agency Affected</b>	<b>Fund-Effect</b>	<b>FY 18 \$</b>	<b>FY 19 \$</b>	<b>FY 20 \$</b>
Department of Revenue Services	GF - Revenue Loss	38.3 million	40.1 million	42.1 million
Department of Revenue Services	GF - Cost	128,000	128,000	128,000
State Comptroller - Fringe Benefits	GF - Cost	49,472	49,472	49,472

**Municipal Impact:** None

Sources: *Centers for Medicare & Medicaid Services*  
*National Association for Home Care and Hospice Basic Statistics About Home Health Care 2010*

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<sup>2</sup> Approximately 16,000 people in Connecticut are provided home health care through Medicare or other state programs and therefore are excluded for the purposes of the revenue estimate.

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**OLR Bill Analysis****SB 289*****AN ACT PROVIDING A STATE INCOME TAX EXEMPTION FOR THE COST OF HOME HEALTH CARE SERVICES AND SUPPLIES.*****SUMMARY:**

This bill establishes a state income tax deduction for the cost of ordinary and necessary full-time home health care, including costs for medical supplies and in-home services provided by homemaker-home health aides and other home health care agencies. It allows tax filers to reduce their Connecticut adjusted gross income (AGI), to the extent not deductible in determining federal AGI, by the amount of these costs not exceeding \$60,000.

Homemaker-home health aides provide general support services (e.g., assistance with personal hygiene, dressing, and household tasks) to patients residing at home or an equivalent environment. Home health care agencies provide such patients with full-time nursing and therapy services.

EFFECTIVE DATE: July 1, 2015 and applicable to tax years commencing on or after January 1, 2016.

**COMMITTEE ACTION**

Aging Committee

Joint Favorable

Yea 13    Nay 0    (03/05/2015)