Legislative Analysis

HOUSE FISCAL AGENCY
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INCOME TAX DEDUCTION FOR LONG-TERM CARE INSURANCE PREMIUMS

House Bill 4701
Sponsor: Rep. Kevin Green
Committee: Insurance

Complete to 4-25-06

A SUMMARY OF HOUSE BILL 4701 AS INTRODUCED 5-3-05

The bill would amend the Income Tax Act to allow taxpayers to deduct from taxable income the amount of premiums paid in the tax year to obtain long-term care benefits. The deduction would apply for tax years beginning after December 31, 2005, and would apply to the extent the premiums had not already been deducted in determining adjusted gross income.

The term "long-term care benefits" would refer to coverage under a long-term care policy, certificate, or rider issued by an insurance company under the Insurance Code.

MCL 206.30

FISCAL IMPACT:

The fiscal impact of House Bill 4701 depends on the number of policies in effect and annual premiums paid to obtain long-term care insurance. This bill would reduce income tax revenue by an estimated $12 million to $18 million in tax year 2006. Approximately 77 percent of this reduction would affect the General Fund/General Purpose (GF/GP) and 23 percent would affect the School Aid Fund (SAF). However, to the degree tax benefits are taken through refunds, the GF/GP affect would be greater and the SAF would be less.

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