HOUSE HEALTH COMMITTEE SUBSTITUTE FOR
HOUSE BILL 72

52ND LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2015

AN ACT

RELATING TO TAXATION; CREATING THE LONG-TERM CARE INSURANCE TAX CREDIT.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. A new section of the Income Tax Act is enacted to read:

"[NEW MATERIAL] LONG-TERM CARE INSURANCE TAX CREDIT.--

A. A taxpayer who files an individual New Mexico income tax return, who is not a dependent of another individual and who pays the premiums for a long-term care insurance policy may claim a credit against the taxpayer's tax liability imposed pursuant to the Income Tax Act in an amount equal to:

(1) for married individuals filing separate returns, single individuals and estates and trusts whose federal taxable income is fifty thousand dollars ($50,000) or

underscored material = new
[~~bracketed material~~] = delete

less, the lesser of fifty percent of the premium paid or one thousand dollars ($1,000);

(2) for married individuals filing separate returns, single individuals and estates and trusts whose federal taxable income is more than fifty thousand dollars ($50,000), the lesser of twenty-five percent of the premium paid or five hundred dollars ($500);

(3) for heads of household, surviving spouses and married individuals filing joint returns whose federal taxable income is one hundred thousand dollars ($100,000) or less, the lesser of fifty percent of the premium paid or one thousand dollars ($1,000) per policy for up to two policies; and

(4) for heads of household, surviving spouses and married individuals filing joint returns whose federal taxable income is more than one hundred thousand dollars ($100,000), the lesser of twenty-five percent of the premium paid or five hundred dollars ($500) per policy for up to two policies.

B. The tax credit provided in this section may be referred to as the "long-term care insurance tax credit".

C. The purpose of the long-term care insurance tax credit is to encourage individuals to purchase long-term care insurance.

D. A taxpayer may claim the long-term care insurance tax credit in the taxable year in which the taxpayer pays the premium for a long-term care insurance policy. The taxpayer shall claim the tax credit within one year following the end of the calendar year in which the taxpayer pays the premium for a long-term care insurance policy.

E. That portion of the tax credit approved by the department that exceeds a taxpayer's income tax liability in the taxable year in which the tax credit is claimed shall not be refunded to the taxpayer. The tax credit shall not be carried forward or transferred to another taxpayer.

F. Married individuals filing separate returns for a taxable year for which they could have filed a joint return may each claim only one-half of the long-term care insurance tax credit that would have been claimed on a joint return.

G. The taxation and revenue department shall compile an annual report that includes the number of taxpayers approved to receive the tax credit, the aggregate amount of tax credits approved and any other information necessary to evaluate the effectiveness of the tax credit. Beginning in 2020 and every three years thereafter, the department shall compile and present the annual report to the revenue stabilization and tax policy committee and the legislative finance committee with an analysis of the effectiveness and cost of the tax credit and whether the tax credit is performing the purpose for which it was created.

H. As used in this section, "long-term care insurance policy":

(1) means insurance coverage:

(a) advertised, marketed, offered or designed to provide coverage for not less than twelve consecutive months for each covered person on an expense incurred, indemnity, prepaid or other basis for one or more necessary or medically necessary diagnostic, preventive, therapeutic, rehabilitative, maintenance or personal care services that are provided in a setting other than an acute care unit of a hospital; and

(b) that is issued by an insurer, a fraternal benefit society, a nonprofit health insurer, a prepaid health plan, a health maintenance organization or a similar organization that is otherwise authorized to issue life or health insurance; and

(2) includes:

(a) group and individual annuities and life insurance policies or riders that provide directly or that supplement long-term care insurance; and

(b) policies or riders that provide for payment of benefits based upon cognitive impairment or the loss of functional capacity; but

(3) does not include:

(a) insurance policies that are offered

primarily to provide basic medicare supplement coverage, basic hospital expense coverage, basic medical-surgical expense coverage, hospital confinement indemnity coverage, major medical expense coverage, disability income or related asset-protection coverage, accident only coverage, specified disease or specified accident coverage or limited benefit health coverage; or

(b) life insurance policies: 1) that accelerate the death benefit specifically for one or more of the qualifying events of terminal illness, medical conditions requiring extraordinary medical intervention or permanent institutional confinement; or 2) that provide the option of a lump-sum payment for those benefits and in which neither the benefits nor the eligibility for the benefits is conditioned upon the receipt of long-term care.

SECTION 2. APPLICABILITY.--The provisions of this act apply to taxable years beginning on or after January 1, 2015.