

MAINE STATE LEGISLATURE

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L.D. 79

DATE: 5-14-01

(Filing No. H-432)

MAJORITY
TAXATION

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STATE OF MAINE
HOUSE OF REPRESENTATIVES
120TH LEGISLATURE
FIRST REGULAR SESSION

COMMITTEE AMENDMENT "A" to H.P. 70, L.D. 79, Bill, "An Act to Reinstate Tax Deductibility of Qualified Long-term Care Insurance"

Amend the bill by striking out everything after the enacting clause and before the summary and inserting in its place the following:

Sec. 1. 24-A MRSA §5075-A is enacted to read:

§5075-A. Certification by superintendent

1. Filing of form. An insurer, nonprofit hospital or medical service organization or nonprofit health care plan may request, at the time it files a policy or contract for approval for issuance or delivery in the State or at any time thereafter, that the superintendent certify the policy or contract as a long-term care insurance policy.

2. Determination. Within 60 days after receipt of a request for certification, the superintendent shall in writing:

A. Certify that the policy or contract complies with this section;

B. Deny the request and state the reasons for the denial; or

C. Notify the insurer, nonprofit hospital or medical service organization or nonprofit health care plan that an

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2 insufficient basis exists for determining whether a
3 certification should be made and indicate the nature of the
4 insufficiency.

5 3. Standards for compliance. The superintendent shall
6 certify a policy or contract submitted for review under this
7 section as a long-term care insurance policy if the
8 superintendent finds that the policy or contract complies with
9 all the standards applicable to long-term care policies set forth
10 in this chapter and in chapters 27, 33 and 35 and rules adopted
11 pursuant to those chapters by the superintendent. Waivers
12 granted under the rules must be taken into consideration.

13 **Sec. 2. 36 MRSA §2525-A, sub-§§1 and 2,** as enacted by PL 1999,
14 c. 521, Pt. C, §2 and affected by §9, are amended to read:

15 **1. Credit.** A taxpayer under this chapter constituting an
16 employing unit is allowed a credit against the tax imposed by
17 this chapter for each taxable year ~~that begins on or after~~
18 ~~January 1, 2000~~ equal to the lowest of the following:

- 19 A. Five thousand dollars;
- 20 B. Twenty percent of the costs incurred by the taxpayer in
21 providing qualified eligible long-term care insurance
22 ~~contract coverage~~ as part of a benefit package; or
- 23 C. One hundred dollars for each employee covered by an
24 employer-provided eligible long-term care insurance ~~contract~~.

25 **2. Definitions.** As used in this section, unless the
26 context otherwise indicates, the following terms have the
27 following meanings.

- 28 A. "Employing unit" has the same meaning as in Title 26,
29 section 1043.
- 30 B. ~~"Qualified long-term care insurance contract" means a~~
31 ~~qualified long-term care insurance contract as defined in~~
32 ~~the Code, Section 7702B(b).~~

- 33 C. "Eligible long-term care insurance" means:
 - 34 (1) For tax years beginning on or after January 1,
35 2000, a qualified long-term care insurance contract as
36 defined in the Code, Section 7702B(b); and
 - 37 (2) For tax years beginning on or after January 1,
38 2001, a contract specified in subparagraph (1) or a
39 long-term care insurance policy certified by the
40 superintendent.

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Superintendent of Insurance under Title 24-A, section 5075-A.

Sec. 3. 36 MRSA §5122, sub-§2, ¶L, as amended by PL 1999, c. 708, §35 and c. 731, Pt. S, §2 and affected by §4 and amended by c. 790, Pt. A, §49, is repealed and the following enacted in its place:

L. For income tax years beginning on or after January 1, 2000, an amount equal to the total premiums spent for qualified long-term care insurance contracts as defined in the Code, Section 7702B(b), as long as the amount subtracted is reduced by the long-term care premiums claimed as an itemized deduction pursuant to section 5125;

Sec. 4. 36 MRSA §5122, sub-§2, ¶M, as enacted by PL 1999, c. 708, §36 and c. 731, Pt. S, §3 and affected by §4, is repealed and the following enacted in its place:

M. An amount, for each recipient of benefits under an employee retirement plan, that is the lesser of:

(1) Six thousand dollars reduced by the total amount of social security benefits and railroad retirement benefits paid by the United States, but not less than \$0; or

(2) The aggregate of benefits received under employee retirement plans and included in federal adjusted gross income.

For purposes of this paragraph, "employee retirement plan" means a state, federal or military retirement plan or any other retirement benefit plan established and maintained by an employer for the benefit of its employees under Section 401(a), Section 403 or Section 457(b) of the Code. "Employee retirement plan" does not include an individual retirement account under Section 408 of the Code, a Roth IRA under Section 408A of the Code, a rollover individual retirement account, a simplified employee pension under Section 408(k) of the Code or an ineligible deferred compensation plan under Section 457(f) of the Code;

Sec. 5. 36 MRSA §5122, sub-§2, ¶¶N and O are enacted to read:

N. Interest or dividends on obligations or securities of this State and its political subdivisions and authorities to the extent included in federal adjusted gross income;

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2 O. For income tax years beginning on or after January 1,
3 2001, an amount equal to the total premiums spent for
4 long-term care insurance policies certified under Title
5 24-A, section 5075-A as long as the amount subtracted is
6 reduced by the long-term care premiums claimed as an
7 itemized deduction pursuant to section 5125.

8 **Sec. 6. 36 MRSA §5217-C, sub-§§1 and 2,** as enacted by PL 1999,
9 c. 521, Pt. C, §8 and affected by §9, are amended to read:

10 **1. Credit.** A taxpayer constituting an employing unit is
11 allowed a credit against the tax imposed by this Part for each
12 taxable year ~~that begins on or after January 1, 2000~~ equal to the
13 lowest of the following:

- 14 A. Five thousand dollars;
- 15
- 16 B. Twenty percent of the costs incurred by the taxpayer in
17 providing qualified eligible long-term care insurance
18 ~~contract-coverage~~ as part of a benefit package; or
- 19
- 20 C. One hundred dollars for each employee covered by an
21 employer-provided eligible long-term care insurance ~~contract~~.
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25 **2. Definitions.** As used in this section, unless the
26 context otherwise indicates, the following terms have the
27 following meanings.

- 28 A. "Employing unit" has the same meaning as in Title 26,
29 section 1043.
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- 31 B. ~~"Qualified long-term care insurance contract" means a~~
32 ~~qualified long-term care insurance contract as defined in~~
33 ~~the Code, Section 7702B(b).~~

- 34 C. "Eligible long-term care insurance" means:
- 35
- 36 (1) For tax years beginning on or after January 1,
37 2000, a qualified long-term care insurance contract as
38 defined in the Code, Section 7702B(b); and
- 39
- 40 (2) For tax years beginning on or after January 1,
41 2001, a contract specified in subparagraph (1) or a
42 long-term care insurance policy certified by the
43 Superintendent of Insurance under Title 24-A, section
44 5075-A.
- 45
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47 **Sec. 7. Application.** This Act applies to tax years beginning
48 on or after January 1, 2001.'

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Further amend the bill by inserting at the end before the summary the following:

FISCAL NOTE

	2001-02	2002-03
REVENUES		
General Fund	(\$24,978)	(\$23,883)
Other Funds	(1,342)	(1,283)

The expansion of the current income modification for long-term care insurance premiums will decrease individual income tax collections by \$20,870 in fiscal year 2001-02 and \$19,792 in fiscal year 2002-03. The reduction of these tax collections will decrease the amounts transferred to the Local Government Fund for state-municipal revenue sharing in those years by \$1,064 and \$1,009, respectively. The resulting net reductions of General Fund revenue will be \$19,806 in fiscal year 2001-02 and \$18,783 in fiscal year 2002-03.

This expansion will also decrease corporate income tax collections by \$5,450 in fiscal year 2001-02 and \$5,374 in fiscal year 2002-03. The reduction of these tax collections will decrease the amounts transferred to the Local Government Fund for state-municipal revenue sharing in those years by \$278 and \$274, respectively. The resulting net reductions of General Fund revenue will be \$5,172 in fiscal year 2001-02 and \$5,100 in fiscal year 2002-03.

The Bureau of Revenue Services will incur some minor additional costs to administer the expanded provisions. These costs can be absorbed within the bureau's existing budgeted resources.

The Bureau of Insurance within the Department of Professional and Financial Regulation will incur some minor additional costs to certify certain policies for compliance purposes. These costs can be absorbed within the bureau's existing budgeted resources.'

SUMMARY

This amendment provides an income tax deduction for persons purchasing long-term care insurance certified by the Superintendent of Insurance and tax credits for employers who provide that insurance for their employees.

R.O.S.

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2 This amendment also corrects a conflict created by Public
4 Law 1999, chapters 708 and 731, each of which enacted a new Maine
6 Revised Statutes, Title 36, section 5122, subsection 2, paragraph
8 M. This amendment resolves the conflict by reallocating one of
the new paragraphs to be Title 36, section 5122, subsection 2,
paragraph N.

 This amendment also adds a fiscal note to the bill.

COMMITTEE AMENDMENT