

FISCAL NOTE
Requested by Legislative Council
02/10/2015

Amendment to: HB 1215

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2013-2015 Biennium	2015-2017 Biennium	2017-2019 Biennium
Counties			
Cities			
School Districts			
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Engrossed HB 1215 calls for a legislative study of the individual income tax credits for expenses associated with the care of an aged or disabled family member at home.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Engrossed HB 1215 does not have a fiscal impact.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*
- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*
- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

Name: Kathryn L. Strombeck

Agency: Office of Tax Commissioner

Telephone: 328-3402

Date Prepared: 02/11/2015

FISCAL NOTE
Requested by Legislative Council
01/13/2015

Bill/Resolution No.: HB 1215

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2013-2015 Biennium	2015-2017 Biennium	2017-2019 Biennium
Counties			
Cities			
School Districts			
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB 1215 changes the individual income tax law that allows a tax credit for incurring expenses to provide home health agency services, personal care attendant services, and other statutorily-defined services for the purpose of caring for an aged or disabled family member at home.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

HB 1215 proposes to remove or change a number of limitations and to increase the credit rate for the purposes of making the credit more accessible and useful for taxpayers and to simplify its calculation. The bill will (1) remove the provision that reduces the credit dollar-for-dollar by the amount of taxable income exceeding a statutory threshold and (2) remove the provision providing for a maximum annual credit. It also increases the maximum amount of taxable income that the aged or disabled family member may have to be a qualifying family member. The bill replaces the current multiple credit rate setup with a 2-rate system of 30% and 50%. (Current law provides for a range of rates from 20% to 30%.) Depending on the taxpayer's level of taxable income, either the 30% rate or the 50% rate will apply. Lastly, the bill adds a provision allowing a 3-year carryover of an unused credit.

If enacted, HB 1215 will allow a more accessible and larger credit to qualified taxpayers. Based on individual income tax data from previous years, the credit has been minimally used. For tax years 2011 through 2013, the credit was claimed on less than 5 returns and therefore cannot be disclosed. For tax years 2006 through 2010, anywhere from 5 to 12 returns claimed the credit, with a credit amount ranging from a low of approximately \$1,500 to a high of greater than \$8,000. Based on previous years' data, it is expected that there will be continued use of the credit. The changes in the bill may also open up the credit to taxpayers who previously could not overcome the limitations under current law, potentially decreasing state general fund revenues. However, the estimated fiscal impact cannot be determined because the number of potential eligible taxpayers, their incomes, and their eligible expenses are unknowns.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*
- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*
- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

Name: Kathryn L. Strombeck

Agency: Office of Tax Commissioner

Telephone: 328-3402

Date Prepared: 01/20/2015

2015 HOUSE FINANCE AND TAXATION

HB 1215

2015 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1215
1/21/2015
Job #22298

- ☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature

Kenneth M. Torkelson

Explanation or reason for introduction of bill/resolution:

A Bill relating to expanding the income tax credit for expenses of caring for certain family members.

Minutes:

Attachment #1

Chairman Headland: Opened hearing.

Vice Chairman Owens: Introduced bill. This is not a new income tax credit, but an update to a credit that this body saw the wisdom to create in 1997. With little to no knowledge the effects the related problem in 1997, this started division. Over time, we have come as a body, to understand the costs associated with the state caring for certain people, as opposed to their own families, and the benefits to the taxpayer, the citizen and their families if we can keep them in their homes longer, or as long as possible, in reality. Their quality of life, their health care, the expenses associated with them, are greatly improved. Section 1, line 11 and 12 simply update the income levels for a qualified family member from \$20,000 to \$40,000 for a single or married from \$35,000 to \$60,000. On page 2, line 17 and 18, we adjust the income levels for up to 50 percent of the tax credit of expenses. Lines 20 and 21 update the income levels for up to the 30 percent credit. Beginning on line 22, the credit is simplified to make the application process easier for people who, because of the situation they're in, I believe you've heard earlier about being sandwiched or have very complicated lives already, caring for their loved ones. Page 3, line 9, allows for three-year carryover of the excess credit. However, most likely this will never be needed because I'm sure their expenses completely outweigh their taxable liability and they're not allowed to exceed that. So, every year they will have enough credits appropriately, and unfortunately the only time the three-year carryover will be of any benefit to anybody is after their loved one has passed on, they'll get a couple of years to recoup a little bit of the expenses after that. The law needs to be updated and simplified. It's been over 16 years, and there's been a lot of changes in this area, and a lot more people have suffered, and a lot more people are involved in taking care of their own family members. So I brought this bill so this body can provide some assistance to these families, and reduce the burden on the state and the taxpayer. I will stand for questions and comments.

Chairman Headland: The program in its current form isn't being used. Do you think it's not being used because, in most cases, families generally feel the responsibility to take care of their loved ones in their more vulnerable stages of their lives?

Vice Chairman Owens: During my recent canvassing of my district, I got this question a number of times, and a number of people didn't even know we had a credit. It's the age-old adage of the government's great at creating programs and terrible at advertising them. In my case, a lot of people don't know. You are correct; under the current system, the way incomes have risen and the way the law is written right now, we have very few people in the state that are using this. That just begs that the income levels need to be updated. If we need to leave some of that complication in, that would still be preferable....you know, to raise the income levels to allow more people to access some of the benefits.

Chairman Headland: I understand the well-meaning of this bill, but do you really feel that families need incentive? If they feel that the quality of life for their loved ones would be better within their home, do you really feel that they need to be encouraged by tax incentives through the states to do that?

Vice Chairman Owens: No, I don't think they need an incentive by any means but I am talking about providing them a little assistance to not only improve the quality of life of the people they're taking care of, but because of the strain on their income, it helps with their own quality of life, as well.

Representative Mitskog: I think this goes to help support and offset some of the costs by allowing a tax credit, but I'm wondering about the income restrictions. Would there be harm to raise the income restrictions even more? I think there would be people that would take advantage of this, and I look at the costs incurred for taking care of one's loved one in a home, and..just looking at hiring a home health agency, and doing that out-of-pocket, if you don't qualify, if you're not in an income that would qualify for any services for the county, and those are pretty strict guidelines. It's very expensive to hire someone hourly, and I'm just wondering if there could be any consideration for even raising the qualifying income higher.

Vice Chairman Owens: The bill was designed to help out the people trying to do this, not to provide the service for them to do it in their home. And, because there is no absolute way to determine how many people would apply once we raise income levels, we're going to have to eat this elephant one bite at a time.

Representative Strinden: If my parents were taking care of my grandmother, my parents would get the tax incentive. Is that correct?

Vice Chairman Owens: If their income qualifies them, then they would be allowed under the types of expenses that qualify, to take those expenses as a credit off their income tax, up to, depending on which one...50 percent or 30 percent credit...of what they spent, off of their income up to their liability and no more.

Representative Strinden: So let's say my parents are billionaires. Would it matter the income level of the caregiver? It only matters that the qualifying family member has the

income that's less than the 20 or 40 or 35 or 60. Right? It doesn't matter how rich the caregiver is. This is tied to the income of the person being cared for?

Vice Chairman Owens: No, this is the person who's doing the caring. Because if you've got a billion dollars, I've got a relative I want you to pay for.

Representative Froseth: How is it determined what the qualified care expenses are? If I have my granny staying with me, and she stays in one of my bedrooms in my home. Is that bedroom also considered a qualifying expense? Or who determines those expenses?

Vice Chairman Owens: On page 1 it lists qualifying care expenses. Includes payments by the taxpayer for home health service agencies, companion services, personal care attendant services, homemaker services, adult daycare, respite care and other medical expenses that are deductible under the Internal Revenue Code. So they are listed in the IRS as well. So you already know what you can deduct. So, there is a list.

Representative Hatlestad: Is there any place in the bill or previous legislation saying the person being cared for, their income has to be used first? And then the child, the caregiver, would have then the deductible expenses? Or can you save the parent's income, and you get the deduction?

Vice Chairman Owens: To my knowledge there is nothing in the current law that references that, as far as family caregivers, and this bill has nothing about that, either.

Chairman Headland: We'll take testimony in support of HB 1215.

Josh Askvig, Associate State Director of Advocacy for AARP North Dakota: Provided written testimony in support. See attachment #1. The number-one concern we hear when we talk to our members in ND and around the country is, how will they stay safely in their home as they age? We know that for every one person that ends up in a nursing home, you can provide care at home for three. I think it's more of a recognition that they're saving the state, because most of the individuals who end up in nursing homes in ND rely on Medicaid support, and there's obviously the state match for that piece as well. We believe this bill provides a simplification of and needed increase in the tax credit that caregivers can receive for the help they provide.

Chairman Headland: Do you know how many programs there are available to allow an elderly person to stay in their home or stay with a family member? I have to believe the state is already doing something in that area.

Josh Askvig: I don't have a number but there are programs through state payment for elderly and disabled individuals, which would help provide some offsetting costs for home care, if you qualify under the income requirement. There is also, through the Medicaid waiver and Medicaid state plan amendments, there are different options that may be available if you fit in certain boxes. But those all apply directly to the individual receiving care. They don't apply to the family members that are providing the additional supports and wrap-around services. So, this would apply to those family caregivers, not the individual

directly, and it recognizes the oftentimes financial contribution they provide to provide additional support and care

Chairman Headland: Further support for HB 1215? Is there any opposition to 1215?

Chairman Headland: Closed the hearing on HB 1215.

2015 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee

Fort Totten Room, State Capitol

HB 1215

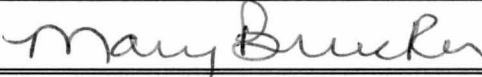
2/3/2015

23135

☐ Subcommittee

☐ Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A Bill relating to expanding the income tax credit for expenses of caring for certain family members.

Minutes:

Vice Chairman Owens: I tried to work on this because it came out a little higher than I thought. I was trying to help out those people who take care of family members and take the burden off the state. There are only five people using this right now. Someone had asked what if it had a cap on it then what about the billion dollars and because I changed one thing in the back to simplify it I actually took that restriction out so yes, billion dollar people can use this. I can't find the right level to put it at now and there's no way to estimate the fiscal impact I will leave it to the committee to what we should do.

Representative Strinden: I did some fact finding after this because I couldn't believe only five people were claiming this tax credit. I called the Grand Forks Senior Citizen Center and they said they had never heard of this tax credit. They said the tax department wasn't telling anybody about it so I think it would be used if people were aware of it.

Representative Dockter: MADE A MOTION FOR DO NOT PASS.

Representative Kading: SECONDED.

Chairman Headland: I agree it just doesn't make any sense to expand a program that nobody uses. I'm going to support the do not pass.

Vice Chairman Owens: I really want to help the people that do this sort of thing. I still think I can fix this but it might take more time than we have this session. I would certainly welcome hog housing this to a study in the interim so we can get more people interested and more people focused on it.

Representative Dockter: Vice Chairman Owens, would you like to see it into a study?

Vice Chairman Owens: Yes, I'm going to resist the do not pass so I can turn it into a study.

Representative Dockter: WITHDREW MOTION FOR DO NOT PASS.

Representative Kading: WITHDREW SECOND.

Representative Schneider: Are you sure you can't fix this? I think this is a good bill and has good figures to go with it.

Vice Chairman Owens: If I alter it then there are questions on the floor and I can't answer them it will die and then I'll lost it anyway and I wouldn't even get to do the study. Rather than me doing the study we could do it during the interim.

Representative Schneider: There's always a risk that a study won't get through.

Vice Chairman Owens: There were very few studies that weren't accepted this last time in legislative management. I'll see if I can't word it to say shall seriously consider.

Chairman Headland: You're going to pursue that amendment then?

Vice Chairman Owens: Yes sir.

2015 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1215
2/9/2015
23523

- ☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature

Mary Bruck

Explanation or reason for introduction of bill/resolution:

A bill relating to expanding the income tax credit for expenses of caring for certain family members.

Minutes:

Attachment #1

Vice Chairman Owens: Distributed proposed amendments 15.0585.02001 and explained. See attachment #1. I wanted the legislature to do something and help out those families as it is growing increasingly across the state of people caring for their family members. This amendment hog houses the bill into a study for the interim so we can get the answers we need and come out with something next session. **MADE A MOTION TO ADOPT AMENDMENT 15.0585.02001.**

Representative Trottier: SECONDED.

VOICE VOTE: MOTION CARRIED.

Vice Chairman Owens: MADE A MOTION FOR A DO PASS AS AMENDED.

Representative Hatlestad: SECONDED.

**ROLL CALL VOTE: 12 YES 1 NO 1 ABSENT
MOTION CARRIES FOR DO PASS AS AMENDED.**

Representative Hatlestad will carry this bill.



PROPOSED AMENDMENTS TO HOUSE BILL NO. 1215

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to provide for a legislative management study of individual income tax credits available for qualified care expenses paid for the care of a qualifying family member.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. LEGISLATIVE MANAGEMENT STUDY - TAX CREDIT FOR CARE OF FAMILY MEMBER. During the 2015-16 interim, the legislative management shall consider studying individual income tax credits available for qualified care expenses paid for the care of a qualifying family member. The study, if conducted, must determine whether the credit provides adequate incentives for individuals to provide care for those who cannot care for their own needs and the degree that care provided by individuals reduces the cost of state and local funding for care services. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-fifth legislative assembly."

Renumber accordingly

Date: 2-9-15
Roll Call Vote #: 1

2015 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1215

House Finance and Taxation Committee

☐ Subcommittee

Amendment LC# or Description: 15.0585.02001

Recommendation: ☒ Adopt Amendment

- ☐ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☐ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar

Other Actions: ☐ Reconsider ☐ _____

Motion Made By Rep. Owens Seconded By Rep. Trotter

Representatives	Yes	No	Representatives	Yes	No
CHAIRMAN HEADLAND			REP HAAK		
VICE CHAIRMAN OWENS			REP STRINDEN		
REP DOCKTER			REP MITSKOG		
REP TOMAN			REP SCHNEIDER		
REP FROSETH					
REP STEINER					
REP HATLESTAD					
REP KLEIN					
REP KADING					
REP TROTTER					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

Voice vote = Motion carries.

Date: 2-9-15
Roll Call Vote #: 2

2015 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1215

House Finance and Taxation Committee

☐ Subcommittee

Amendment LC# or Description: 15.0585.02001

Recommendation: ☒ Adopt Amendment
☒ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☒ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar

Other Actions: ☐ Reconsider ☐ _____

Motion Made By Rep. Owens Seconded By Rep. Hatlestad

Representatives	Yes	No	Representatives	Yes	No
CHAIRMAN HEADLAND	✓		REP HAAK	✓	
VICE CHAIRMAN OWENS	✓		REP STRINDEN	✓	
REP DOCKTER	✓		REP MITSKOG	✓	
REP TOMAN		✓	REP SCHNEIDER	✓	
REP FROSETH	✓				
REP STEINER	✓				
REP HATLESTAD	✓				
REP KLEIN	✓				
REP KADING	✓				
REP TROTTIER	✓				

Total (Yes) 12 No 1

Absent 1

Floor Assignment Rep. Hatlestad

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1215: Finance and Taxation Committee (Rep. Headland, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (12 YEAS, 1 NAYS, 1 ABSENT AND NOT VOTING). HB 1215 was placed on the Sixth order on the calendar.

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to provide for a legislative management study of individual income tax credits available for qualified care expenses paid for the care of a qualifying family member.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. LEGISLATIVE MANAGEMENT STUDY - TAX CREDIT FOR CARE OF FAMILY MEMBER. During the 2015-16 interim, the legislative management shall consider studying individual income tax credits available for qualified care expenses paid for the care of a qualifying family member. The study, if conducted, must determine whether the credit provides adequate incentives for individuals to provide care for those who cannot care for their own needs and the degree that care provided by individuals reduces the cost of state and local funding for care services. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-fifth legislative assembly."

Renumber accordingly

2015 SENATE FINANCE AND TAXATION

HB 1215

2015 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Lewis and Clark Room, State Capitol

HB1215
3/9/2015
Job #24461

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature

Alice Grove

Explanation or reason for introduction of bill/resolution:

A bill for an Act to provide for a legislative management study of individual income tax credits available for qualified care expenses paid for the care of a qualifying family member.

Minutes:

Attachment #1

Vice Chairman Laffen opened the hearing on HB1215.

Rep. Mark Owen, Dist. 17 -- I stand before you today to ask for your consideration of HB1215 which began as an update to the current tax credit for family care. It's becoming a bigger and bigger issue across the nation, much less in North Dakota. What I ran into, just doubling the numbers wasn't going to work. It needs a review to determine at what level it should be changed and corrected. In the House we did change it to a study to properly evaluate, during the interim, what we should consider at this level. Where are the income levels that would be appropriate. We've got families caring for elderly family members and it's putting a real strain on them. It seems like we should be able to help them out just a little bit. We need to update this law and that is what this bill is about: doing a study so that next session we can come back with a logical and reasonable approach to updating the tax credit thats already there.

Sen. Laffen -- You said it began as an update to the current credit. What is the current credit?

Rep. Owens -- It's been a while since we changed it but I do know a little bit about it. You had a current credit of a certain percentage, only for those people like \$25,000 to \$30,000 and less. There are actually 3 levels built into it. And then it got up to a little higher, \$40,000 to \$50,000 and then anything over \$50,000 for every \$2 you spent, you got \$1. What I tried to do was simply say, if it's up to this amount, you get 50%. If your income is up to this amount, you got 30% and then everything above this amount, you didn't get any because you are making plenty of money and do away with that \$2 for \$1 and that evaluation of 20% of the total of the expenses. It's a huge mathematical formula right now. It needs to be simplified and it needs to be updated as far as what's considered income levels across the state. That's what I was trying to do.

Sen Laffen --Did you convert this to a study before it went into your side or did that happen in committee over there?

Rep. Owens -- We did it in committee, after I presented it. While I had tried to come up with as many questions as I could, I received a couple of good questions and as we discussed it more, I asked for a study. I couldn't answer even all of my own questions before we finished.

Sen. Triplett -- Is it section 57-38-01.20 that you are referring to?

Rep. Owens -- Yes, that is the section that I was referring to.

Josh Askvig, Associated State Director of Advocacy for AARP in North Dakota --We are in support of the study. We did support the original bill; however, digging through it and trying to get a better understanding of it ourselves and trying to make sure we better understood what Rep. Owens was attempting to do, we think this study is a good route to go so that we can dig into this. (Attachment #1)

Sen Laffen -- We get a lot of studies and every time we are either 1st or 50th. 24th is a strange place for North Dakota to be.

Josh Askvig -- It certainly is. One thing that I might add is that I did send you, what is covered, what isn't covered. I went on the tax department site and found the form for filling out your taxes for this credit and I emailed it to you, Mr. vice chairman, because you asked the question about what's the percentages and it's all contained on that form. I'd be happy to provide it to your clerk to get it to all of you. That form is 2 pages. It really gives you a good picture of how you qualify, what you qualify for, and what is a covered expense.

Sen. Laffen -- Either you or I can print it out.

Josh Askvig -- Since you have it.

Sen Laffen -- I'll take care of it.

Sen. Dotzenrod -- When you count someone as a care giver, if you have a husband and wife that are in their 30's and they have 4 children and the kids are all at home, are they counted as care givers?

John Askvig -- No, we talk about caring for an older loved one.

Sen. Dotzenrod -- It says in your testimony, caring for both children and parents.

Josh Askvig -- That's referencing those that are in the sandwich generation. There are many instances where individuals who have children still at home and they may either be having their parent or grandparents living with them or they are providing care for that individual. The part I want to emphasize is more of the complex tasks are growing and you see the number of tasks that previously only nurses had done: giving injections, changing

wound dressings; according to the survey data, those things are increasing greatly. Those are the things that individuals can pay for and receive some of the credit for.

Sen. Dotzenrod -- When you say, caring for both children and parents, the caregiver role you are assigning to their obligation is to their parents.

Josh Askvig -- Correct, if you read the part of that statement before, the growth in the number of Baby Boomers who find themselves squarely in the sandwich generation. A parent is a parent, is a parent, is a parent. The only thing I would note is that you can qualify for the caregiving expense if an individual is permanently or totally disabled under the social security program. There may be kids who might fall under that, although I'm not sure how.

No further testimony.

Vice Chairman Laffen closed the hearing on HB1215.

2015 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Lewis and Clark Room, State Capitol

HB1215
3/23/2015
Job #25237

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature

Alice Grove

Explanation or reason for introduction of bill/resolution:

Committee work

Minutes:

Attachment #1

Chairman Cook opened the committee work on HB1215.

A little study. Tax credits. Qualified care expenses. Taking care of a family member. Wonder where that study would go, if it was chosen and picked: a tax committee that knows nothing about human services or it would go to a human services committee that knows nothing about taxes.

Sen. Dotzenrod -- I was surprised to see that we have quite a bit of language in the code on the credit for expenses for caring for certain family members and I noticed that if you look, at the copies that we received (**Attachment #1**) at the top of page 10, for a taxpayer whose taxable income exceeds twenty-five thousand dollars, or thirty-five thousand for a joint return. I don't know when this was put into law, but when we put these numbers in law and then a few years go by sometimes what seemed like it made sense at the time, doesn't really work very well. It does look like some of these numbers in here that probably are, look old to me.

Sen. Cook -- So this is the study existing? Legislative law? Is that the way you read it? Well then this study is going to get selected anyway in 6 years. Would this be considered economic development?

Sen. Laffen -- No, probably not. I wouldn't consider that economic development.

Sen. Bekkedahl -- I don't read this as an incentivizing bill. This is a care relief bill. I don't think it would be studied under the incentivization that we passed, 2057.

Sen. Laffen -- If I remember the discussion, there are people who take care of disabled or elderly or both and they get a tax credit for doing so. Not very many people are using it. It's like 8 people took this credit for a total of about \$8,000 total dollars. The idea is if we increase this, would it keep some people out of nursing homes longer by more people

being incentivized to take care of these people in their homes? That was the original bill and then the House changed it to a study.

Sen. Dotzenrod -- One of the problems with that is if you look at the kind of costs associated with taking care of another person, relative to the kind of impact the income tax system has on people, it's hard to get that much meaningful out of our income tax system, as low as it is. It's a tough problem and I don't know how to solve it.

Sen. Cook -- We've got to raise our tax rates so that the tax incentives have some impact.

Sen. Bekkedahl -- I realize it is a study at this point but from my perspective, most families just do what they have to do. You don't predicate what you're going to do based on this type of tax legislation. It may be helpful and some may take advantage of it but, as Sen. Laffen said, 8 people using this, I don't think people are looking at this to make their decision to care for loved ones.

Sen. Laffen -- So if we could amend the original version back in, which the house turned into a study, or we could say yes to the study or no if the study isn't going to do any good.

Sen. Dotzenrod -- I see there are a lot of sponsors. I don't know what the original bill looked like but can I assume that they took the credit 57-38-.01.2, that they took that existing credit and just went through and started updating, putting in new numbers? Yes, that's what they did.

Sen. Cook -- Let's sit this one aside.

2015 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Lewis and Clark Room, State Capitol

HB1215
3/23/2015
Job #25276

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature

Alice Grove

Explanation or reason for introduction of bill/resolution:

Committee work

Minutes:

Chairman Cook opened the committee work on HB1215.

It's a study. I'd suggest we pass it out and let management decide whether it wants to be studied or not.

Sen. Bekkedahl -- I will move a do pass on engrossed HB1215.

Sen. Laffen -- Seconded.

Sen. Dotzenrod -- Before we vote, just a comment on this. When we looked this morning at what the original bill was and it kind of reminded me of what we do for homestead credit. In homestead credit, from session to session, we inflate the brackets a little bit and it looks like that's what the sponsors of this bill were doing with this section, they were taking these brackets, like on the top of page 10, taxable income \$25,000 or \$35,000 and I noticed on the draft bill of the original bill that what it looks like the sponsors just introduced a bill to take this caretaker thing and move the numbers up and I think that is all the bill did. I'm not sure what went on over in the House and why they thought they wanted to replace it with a study. I guess the study is okay with me. I can understand why the bill was introduced in its original form.

Sen. Cook -- Anybody want to look at the original bill?

We have a motion for a do pass on HB1215. Roll call vote 7-0-0. Motion carried.

Carrier: Sen. Oehlke

Committee work closed.

Date: 3.23.15Roll Call Vote #: 1

**2015 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1215**

Senate Finance and Taxation Committee☐ Subcommittee

Amendment LC# or Description: _____

Recommendation: ☐ Adopt Amendment
☒ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☐ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar

Other Actions: ☐ Reconsider ☐ _____Motion Made By Sen. Bekkedahl Seconded By Sen. Laffen

Senators	Yes	No	Senators	Yes	No
Chairman Dwight Cook	✓		Senator Jim Dotzenrod	✓	
Vice Chairman Lonnie Laffen	✓		Senator Connie Triplett	✓	
Senator Brad Bekkedahl	✓				
Senator Dave Oehlke	✓				
Senator Jessica Unruh	✓				

Total (Yes) 7 No 0Absent 0Floor Assignment Sen. Oehlke

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1215, as engrossed: Finance and Taxation Committee (Sen. Cook, Chairman)
recommends **DO PASS** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING).
Engrossed HB 1215 was placed on the Fourteenth order on the calendar.

2015 TESTIMONY

HB 1215



Real Possibilities in

HB 1215
1-21-15
#1 p.1

North Dakota

HB 1215 - SUPPORT

January 21, 2015

House Finance and Taxation Committee

Josh Askvig - AARP North Dakota

jaskvig@aarp.org or 701-989-0129

Chairman Headland, members of the House Finance and Taxation Committee, I am Josh Askvig, Associate State Director of Advocacy for AARP North Dakota. Thank you for the opportunity to appear before you today and share AARP's strong support of HB 1215.

Dr. Ethel Percy Andrus, a retired educator and AARP's founder, became an activist in the 1940s when she found a retired teacher living in a chicken coop because she could afford nothing else. Dr. Andrus couldn't ignore the need for health and financial security in America and set the wheels in motion for what would become AARP. We are a nonprofit, nonpartisan membership organization with 85,000 members in North Dakota and 38 million nationwide. We understand the priorities and dreams of people 50-plus and are committed to helping them live life to the fullest, including here in North Dakota.

Over the past few years, AARP has raised its attention on family caregivers — spouses, partners, relatives, friends, or neighbors who provide unpaid care for a loved one. We have watched the situation facing caregivers evolve — longer lifespans and an increase in the number of persons with complex medical conditions that have stressed current support systems; the growth in the number of Baby Boomers who find themselves squarely in the sandwich generation, caring for both children and parents, that has created demand for new models of care and greater access to information; and the increase in complex conditions requiring coordination that has left "caregivers trying to tie together the fragmented pieces of their family member's care with several different clinicians, hospital stays, and transitions

between settings."¹ As such, we have intensified our efforts to ensure that family caregivers have the support they need to care for their loved ones.

#1 p.2

In North Dakota, these efforts are particularly important. AARP Public Policy Institute's 2014 Long Term Scorecard showed that North Dakota ranked 33rd out of 50 states with respect to support that family caregivers receive.² Obviously, we can do more for the 109,000 individuals across the state who are caregivers for a loved one during the year and contribute \$830 million in unpaid care.³

In November 2014, AARP conducted a telephone survey of 800 North Dakota voters age 45 and older who expressed their opinions on caregiving. As you can see on the attached summary, most North Dakota caregivers are helping or have helped their loved ones with shopping (90%), transportation (84%), household chores (82%), meal preparation (74%) as well as more complex care like managing medications (66%) and other nursing and medical tasks (56%). The majority (72%) of these caregivers says it is likely that they will need to provide this type of care in the future. As such, nearly all (91%) of these caregivers believe it is important to be able to provide care so that their loved ones can keep living independently in their own home.

HB 1215 recognizes the financial contributions that family caregivers play in keeping their loved ones out of costly institutions. It provides a simplification of and needed increase in the tax credit that caregivers can receive for the help they provide.

We encourage you to give HB 1215 a "Do Pass" recommendation. Thank you for the opportunity to testify today and I am happy to take any questions you might have.

¹ Susan Reinhard, *Home Alone: Family Caregivers providing Complex Chronic Care*, AARP http://www.aarp.org/content/dam/aarp/research/public_policy_institute/health/home-alone-family-caregivers-providing-complex-chronic-care-rev-AARP-ppi-health.pdf

² Susan Reinhard, *Raising Expectations: A State Scorecard on Long-Term Services and Supports for Older Adults, People with Physical Disabilities, and Family Caregivers* <http://www.longtermscorecard.org/>

³ Susan Reinhard, et.al., *Valuing the Invaluable: The Growing Contribution and Cost of Caregiving* <http://assets.aarp.org/rgcenter/ppi/ltc/i51-caregiving.pdf>

2014 AARP Caregiving Survey of North Dakota Voters Age 45 and Older: Family Caregivers

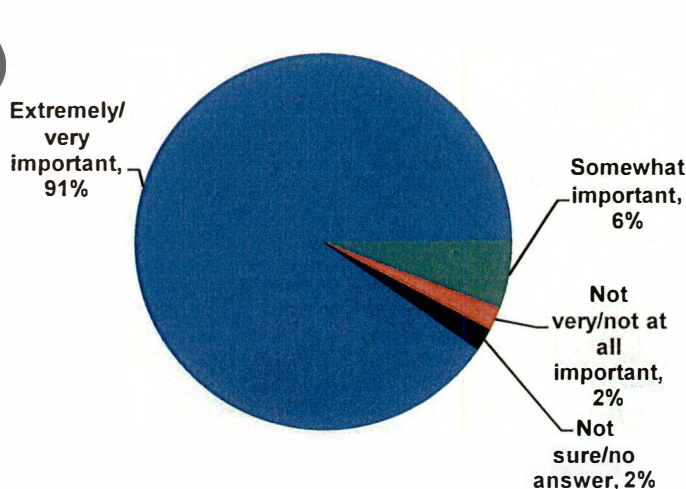
#1 p.3

There are approximately 109,000 caregivers over the course of the year in North Dakota. North Dakota caregivers provide 71 million hours of care per year with an estimated economic value of \$830 million dollars.¹

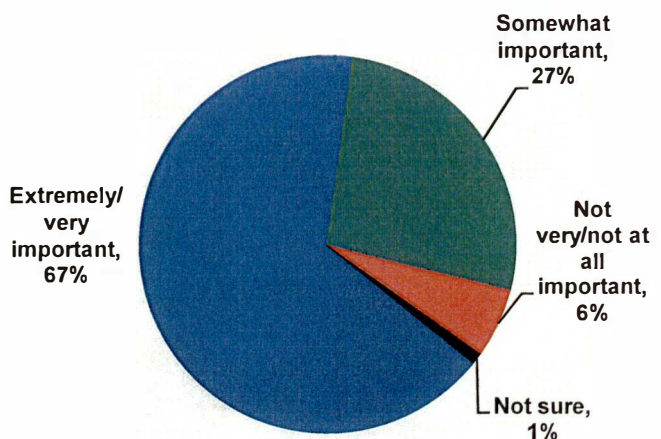
Most (70%) North Dakota voters age 45 and older believe that being cared for at home with caregiver assistance is the ideal situation when the basic tasks of life become more difficult due to aging or illness. Moreover, more than half (56%) of North Dakota voters age 45 and older say it is extremely, very, or somewhat likely they will provide care on an unpaid basis for an adult loved one who is ill, frail, elderly or who has a disability.

Most North Dakota caregivers are helping or have helped their loved ones with shopping (90%), transportation (84%), household chores (82%), meal preparation (74%) as well as more complex care like managing medications (66%) and other nursing and medical tasks (56%). The majority (72%) of these caregivers says it is likely that they will need to provide this type of care in the future. As such, nearly all (91%) of these caregivers believe it is important to be able to provide care so that their loved ones can keep living independently in their own home and two-thirds (67%) believe it is important to have more caregiver resources and training that allows family caregivers to continue to provide in-home care.

**Importance of Providing Care to
Adult Loved Ones
Among North Dakota Caregivers
(n=383, Respondents Who Are Current or Past
Caregivers)**



**Importance of Having More Resources and
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(n=383, Respondents Who Are Current or Past
Caregivers)**



The average age of North Dakota caregivers is 63 years old and the majority is female (60%), married (71%), has a two year college degree or higher (64%), working either full or part-time (54%) and has an annual household income of less than \$100,000 (56%).

AARP North Dakota commissioned a telephone survey of 800 North Dakota voters age 45 and older to learn about their experiences with family caregiving, as well as their opinions on proposals to support family caregivers in the state. This report highlights results from voters interviewed between November 6 and November 16, 2014. The data in this report has been weighted by age, gender and geographic county of residence to reflect the North Dakota population of voters age 45 and older. The survey has a margin of error of ± 3.5 percent.

¹ Valuing the Invaluable: 2011 Update The Growing Contributions and Costs of Family Caregiving, Lynn Fein, Susan C. Reinhard, Ari Houser, and Rita Choula, AARP Public Policy Institute

#1 p. 4

AARP is a nonprofit, nonpartisan organization, with a membership of nearly 38 million, that helps people turn their goals and dreams into real possibilities, strengthens communities and fights for the issues that matter most to families such as healthcare, employment and income security, retirement planning, affordable utilities and protection from financial abuse. We advocate for individuals in the marketplace by selecting products and services of high quality and value to carry the AARP name as well as help our members obtain discounts on a wide range of products, travel, and services. A trusted source for lifestyle tips, news and educational information, AARP produces AARP The Magazine, the world's largest circulation magazine; AARP Bulletin; www.aarp.org; AARP TV & Radio; AARP Books; and AARP en Español, a Spanish-language website addressing the interests and needs of Hispanics. AARP does not endorse candidates for public office or make contributions to political campaigns or candidates. The AARP Foundation is an affiliated charity that provides security, protection, and empowerment to older persons in need with support from thousands of volunteers, donors, and sponsors. AARP has staffed offices in all 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. Learn more at www.aarp.org.

State Research brings the right knowledge at the right time to our state and national partners in support of their efforts to improve the lives of people age 50+. State Research consultants provide strategic insights and actionable research to attain measurable state and national outcomes. The views expressed herein are for information, debate, and discussion, and do not necessarily represent official policies of AARP.

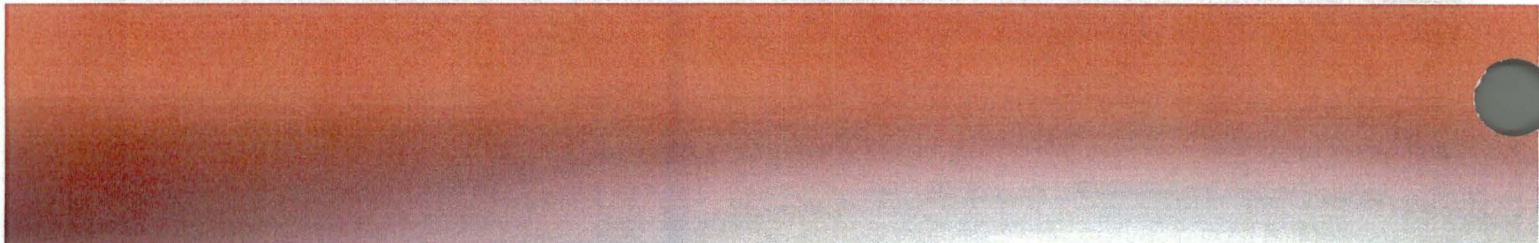
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AARP Research

For more information about this survey, please contact Aisha Bonner at:

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PROPOSED AMENDMENTS TO HOUSE BILL NO. 1215

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to provide for a legislative management study of individual income tax credits available for qualified care expenses paid for the care of a qualifying family member.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. LEGISLATIVE MANAGEMENT STUDY - TAX CREDIT FOR CARE OF FAMILY MEMBER. During the 2015-16 interim, the legislative management shall consider studying individual income tax credits available for qualified care expenses paid for the care of a qualifying family member. The study, if conducted, must determine whether the credit provides adequate incentives for individuals to provide care for those who cannot care for their own needs and the degree that care provided by individuals reduces the cost of state and local funding for care services. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-fifth legislative assembly."

Renumber accordingly

#1
3.9.15



Real Possibilities in

North Dakota

HB 1215 - SUPPORT

March 9, 2015

Senate Finance and Taxation Committee

Josh Askvig - AARP North Dakota

jaskvig@aarp.org or 701-989-0129

Chairman Cook, members of the Senate Finance and Taxation Committee, I am Josh Askvig, Associate State Director of Advocacy for AARP North Dakota. Thank you for the opportunity to appear before you today and share AARP's strong support of the study on HB 1215.

Dr. Ethel Percy Andrus, a retired educator and AARP's founder, became an activist in the 1940s when she found a retired teacher living in a chicken coop because she could afford nothing else. Dr. Andrus couldn't ignore the need for health and financial security in America and set the wheels in motion for what would become AARP. We are a nonprofit, nonpartisan membership organization with 85,000 members in North Dakota and 38 million nationwide. We understand the priorities and dreams of people 50-plus and are committed to helping them live life to the fullest, including here in North Dakota.

Over the past few years, AARP has raised its attention on family caregivers — spouses, partners, relatives, friends, or neighbors who provide unpaid care for a loved one. We have watched the situation facing caregivers evolve — longer lifespans and an increase in the number of persons with complex medical conditions that have stressed current support systems; the growth in the number of Baby Boomers who find themselves squarely in the sandwich generation, caring for both children and parents, that has created demand for new models of care and greater access to information; and the increase in complex conditions requiring coordination that has left "caregivers trying to tie together the fragmented pieces of their family member's care with several different

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HB 1215
3.9.15

clinicians, hospital stays, and transitions between settings."¹ As such, we have intensified our efforts to ensure that family caregivers have the support they need to care for their loved ones.

In North Dakota, these efforts are particularly important. AARP Public Policy Institute's 2014 Long Term Scorecard showed that North Dakota ranked 24th out of 50 states with respect to support that family caregivers receive.² We can do more for the 109,000 individuals across the state that are caregivers for a loved one during the year and contribute \$830 million in unpaid care.³

In November 2014, AARP conducted a telephone survey of 800 North Dakota voters age 45 and older who expressed their opinions on caregiving. As you can see on the attached summary, most North Dakota caregivers are helping or have helped their loved ones with shopping (90%), transportation (84%), household chores (82%), meal preparation (74%) as well as more complex care like managing medications (66%) and other nursing and medical tasks (56%). The majority (72%) of these caregivers says it is likely that they will need to provide this type of care in the future. As such, nearly all (91%) of these caregivers believe it is important to be able to provide care so that their loved ones can keep living independently in their own home.

The current credit attempts to recognize the financial contributions that family caregivers play in keeping their loved ones out of costly institutions. Studying how we can more effectively implement this credit makes sense.

We stand in support of the study in HB 1215. Thank you for the opportunity to testify today and I am happy to take any questions you might have.

¹ Susan Reinhard, *Home Alone: Family Caregivers providing Complex Chronic Care*, AARP http://www.aarp.org/content/dam/aarp/research/public_policy_institute/health/home-alone-family-caregivers-providing-complex-chronic-care-rev-AARP-ppi-health.pdf

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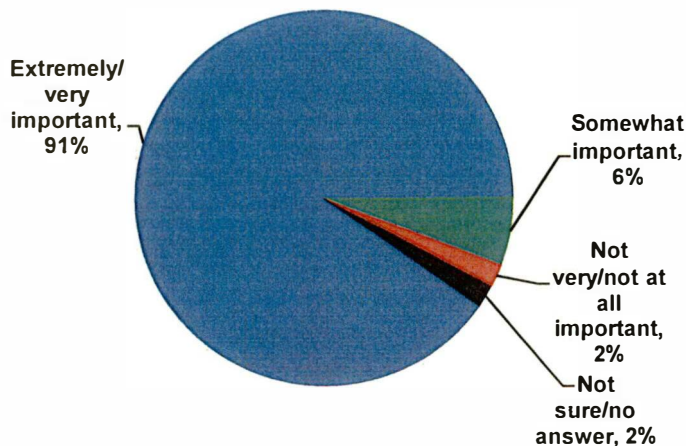
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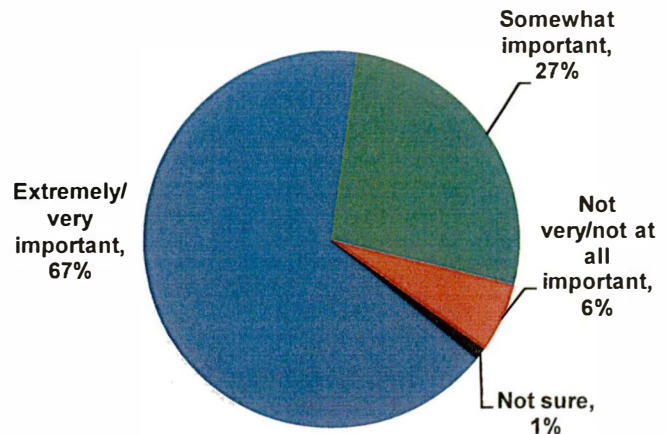
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HB 1215
3.9.15

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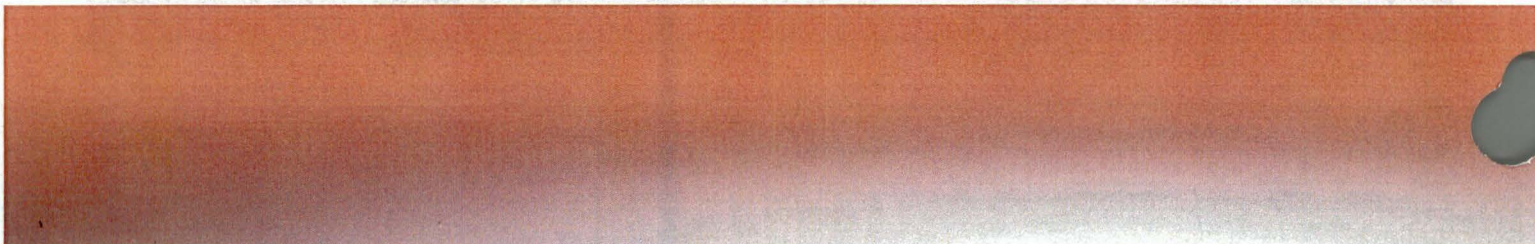
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considered for purposes of this section. An employee of a subcontractor is considered an employee of the contractor to the extent of any wages paid under the contract.

The total of credits allowed under this section may not exceed fifty percent of the taxpayer's liability under this chapter.

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57-38-01.17. Credit for investments in development corporations.

A corporation is allowed, as a credit against a tax otherwise due under section 57-38-30, the credit for buying membership in, or paying dues or contributions to, a certified nonprofit development corporation as provided in section 10-33-124.

57-38-01.18. Gain on stock sale or transfer when corporation has relocated to this state.

Repealed by S.L. 2009, ch. 545, § 32.

57-38-01.19. Income tax credit for alternative fuel motor vehicle conversion equipment.

Expired under S.L. 1993, ch. 555, § 3.

57-38-01.20. Credit for expenses of caring for certain family members.

1. An individual is entitled to a credit against the tax imposed under section 57-38-30.3 in the amount of qualified care expenses under this section paid by the individual for the care of a qualifying family member during the taxable year.
2. A qualifying family member is an individual who has taxable income of twenty thousand dollars or less or a married individual with taxable income of thirty-five thousand dollars or less, including that of the individual's spouse, for the taxable year. A qualifying family member must be related to the taxpayer by blood or marriage and either sixty-five years of age or older or is disabled as defined under title XVI of the federal Social Security Act.
3.
 - a. Qualified care expenses include payments by the taxpayer for home health agency services, companionship services, personal care attendant services, homemaker services, adult day care, respite care, and other expenses that are deductible medical expenses under the Internal Revenue Code. A qualified care expense must be:
 - (1) Provided to or for the benefit of the qualifying family member or to assist the taxpayer in caring for the qualifying family member;
 - (2) Provided by an organization or individual not related to the taxpayer or the qualifying family member; and
 - (3) Not compensated for by insurance or federal or state assistance programs.
 - b. For purposes of this subsection, "companionship services" means services that provide fellowship, care, and protection for individuals who, because of advanced age or physical or mental disabilities, cannot care for their own needs. Those services may include household work related to the care of the aged or disabled person, including meal preparation, bed making, washing of clothes, and other similar services, and may include the performance of general household work if that work does not exceed twenty percent of the total weekly hours worked. "Companionship services" does not include services relating to the care and protection of the aged or disabled which require and are performed by trained personnel, including a registered or practical nurse, and does not include services of individuals who provide care and protection for infants and young children who are not physically or mentally disabled.
4. The percentage amount of credit allowable under this section is:
 - a. For a taxpayer whose taxable income does not exceed twenty-five thousand dollars, or thirty-five thousand dollars for a joint return, thirty percent of qualified elderly care expenses; or

- 1.2
LB 1215
3.23.15
- b. For a taxpayer whose taxable income exceeds twenty-five thousand dollars, or thirty-five thousand dollars for a joint return, the greater of:
 - (1) Twenty percent of qualified elderly care expenses; or
 - (2) Thirty percent of qualified elderly care expenses, minus one percent of those expenses for each two thousand dollars or fraction of two thousand dollars by which the taxable income of the taxpayer for the taxable year exceeds twenty-five thousand dollars, or thirty-five thousand dollars for a joint return.
 5. The dollar amount of credit allowable under this section is:
 - a. Reduced by one dollar for each dollar of the taxable income over fifty thousand dollars for a taxpayer whose taxable income exceeds fifty thousand dollars, or for a joint return, reduced by one dollar for each dollar of the taxable income over seventy thousand dollars for taxpayers whose taxable income exceeds seventy thousand dollars; and
 - b. Limited to two thousand dollars per qualifying family member in a taxable year and to four thousand dollars total for two or more qualifying family members in a taxable year.
 6. A deduction or credit is not allowed under any other provision of this chapter with respect to any amount for which a credit is allowed under this section. The credit allowed under this section may not be claimed as a carryback or carryforward and may not be refunded if the taxpayer has no tax liability.
 7. In the case of a married individual filing a separate return, the percentage amount of credit under subsection 4 and the dollar amount of credit under subsection 5 are limited to one-half of the amounts indicated in those subsections.

57-38-01.21. Charitable gifts, planned gifts, and qualified endowments credit - Definitions.

1. For purposes of this section:
 - a. "Permanent, irrevocable fund" means a fund comprising cash, securities, mutual funds, or other investment assets established for a specific charitable, religious, educational, or eleemosynary purpose and invested for the production or growth of income, or both, which may either be added to principal or expended.
 - b. "Planned gift" means an irrevocable charitable gift to a North Dakota qualified nonprofit organization or qualified endowment held by or for a North Dakota qualified nonprofit organization, when the charitable gift uses any of the following techniques that are authorized under the Internal Revenue Code:
 - (1) Charitable remainder unitrusts, as defined by 26 U.S.C. 664;
 - (2) Charitable remainder annuity trusts, as defined by 26 U.S.C. 664;
 - (3) Pooled income fund trusts, as defined by 26 U.S.C. 642(c)(5);
 - (4) Charitable lead unitrusts qualifying under 26 U.S.C. 170(f)(2)(B);
 - (5) Charitable lead annuity trusts qualifying under 26 U.S.C. 170(f)(2)(B);
 - (6) Charitable gift annuities undertaken pursuant to 26 U.S.C. 1011(b);
 - (7) Deferred charitable gift annuities undertaken pursuant to 26 U.S.C. 1011(b);
 - (8) Charitable life estate agreements qualifying under 26 U.S.C. 170(f)(3)(B); or
 - (9) Paid-up life insurance policies meeting the requirements of 26 U.S.C. 170.

"Planned gift" does not include a charitable gift using a charitable remainder unitrust or charitable remainder annuity trust unless the agreement provides that the trust may not terminate and beneficiaries' interest in the trust may not be assigned or contributed to the qualified nonprofit organization or qualified endowment sooner than the earlier of the date of death of the beneficiaries or five years from the date of the planned gift.

"Planned gift" does not include a deferred charitable gift annuity unless the payment of the annuity is required to begin within the life expectancy of the annuitant or of the joint life expectancies of the annuitants, if more than one annuitant, as determined using the actuarial tables used by the internal revenue