INCOME TAX CREDIT FOR PREMIUMS PAID FOR LONG-TERM CARE PARTNERSHIP PLAN INSURANCE

This memorandum provides the legislative history behind the 2009 enactment of North Dakota Century Code Section 57-38-29.3 by House Bill No. 1209.

Section 57-38-29.3 provides a credit against an individual's income tax liability in the amount of the premiums paid during the taxable year by the taxpayer for qualified long-term care partnership plan insurance coverage. The credit is limited to $250 per insured individual per taxable year. For purposes of receiving the credit, a "qualified long-term care partnership plan" means a qualified long-term care insurance policy, as defined in Internal Revenue Code Section 7702B(b), which was issued on or after the date specified in an approved Medicaid state plan amendment that provides for the disregard of assets; meets the requirements of the long-term care insurance model regulations and the Long-Term Care Insurance Model Act promulgated by the National Association of Insurance Commissioners, or the Insurance Commissioner certifies that the policy meets those requirements; and is purchased by an individual who is at least 61 years of age as of the date of purchase, if the policy provides compound annual inflation protection; is at least 61 years of age, but no greater than 76 years of age as of the date of purchase, if the policy provides some level of inflation protection; or is at least 76 years of age as of the date of purchase.

In addition to testimony provided by the bill sponsor, testimony in favor of House Bill No. 1209 was provided by representatives of the North Dakota Association of Insurance and Financial Advisors, Protection and Advocacy Project, North Dakota Long Term Care Association, SIA Marketing, and the Insurance Department. Testimony indicated North Dakota leads the nation as the state with the highest population age 85 and older and two out of every five North Dakotans will need long-term care at some point in their lives. Long-term care facilities provide care for 14,000 individuals in the state each year. The costs of long-term care are high, with nursing facility rates averaging $179.27 per day. Medicaid is the largest payor of long-term care costs, with roughly a quarter of the Department of Human Services' $2.1 billion budget dedicated to long-term care. Testimony indicated the credit would help incentivize those wavering in their decision to purchase long-term care insurance. Testimony in favor of the bill highlighted the potential future savings to the state, as data indicated that only .5 percent of individuals with long-term care partnership plan insurance exhaust their benefits and access Medicaid. No testimony was received in opposition to the bill.

The estimated fiscal impact of the bill was $1.5 million for the 2009-11 biennium. It was noted that if the credit successfully incentivized individuals to buy long-term care policies, any benefit to the state would be seen 10 to 20 years in the future. The estimated savings to the state at the end of the 10- to 20-year period could not be determined during the 2009 legislative session.