

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: SB 48 (First Edition)
SHORT TITLE: Credit for Long Term Care Insurance
SPONSOR(S): Senator Cochrane

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	(\$millions)				
	<u>FY 1997-98</u>	<u>FY 1998-99</u>	<u>FY 1999-00</u>	<u>FY 2000-01</u>	<u>FY 2001-02</u>
REVENUES					
General Fund	(23.8)	(27.5)	(31.8)	(36.7)	(42.4)
EXPENDITURES					
PRINCIPAL DEPARTMENT(S) & Department of Revenue PROGRAM(S) AFFECTED:					
EFFECTIVE DATE: Effective for taxable years beginning on or after January 1, 1997.					

BILL SUMMARY: The bill provides an individual income tax credit equal to 15% of the premium paid each year on long term care insurance. The credit is capped at \$350.

ASSUMPTIONS AND METHODOLOGY: The base data for this fiscal note comes from the National Association of Insurance Commissioners' 1995 Long Term Care Insurance Experience Report. In 1995, North Carolina had 77,503 citizens with long term care insurance. These insured persons paid premiums that averaged \$1,535.

An official with the Technical Services Group in the Department of Insurance recommended calculating the growth in the number of policies at 10% a year and the growth rate for premiums at 5% a year. The projected high growth in policies is prompted by the passage of the Health Accountability and Portability Act of 1996. The act qualified long term care insurance premiums as a deductible medical expense on individual income taxes. The act also allowed employers to offer long term care insurance as an untaxed benefit. The premium rate increase of 5% is the actual change from 1994 to 1995 and is believed to be an acceptable rate for the near future.

The cost of the tax credit is calculated below.

	Avg Premium	Avg Tax Credit	Number of Policies	Est. Cost
1995	\$ 1,535	\$ 230	77,503	17,845,066
1996	\$ 1,612	\$ 242	85,253	20,611,051
1997	\$ 1,692	\$ 254	93,779	23,805,764
1998	\$ 1,777	\$ 267	103,156	27,495,657
1999	\$ 1,866	\$ 280	113,472	31,757,484
2000	\$ 1,959	\$ 294	124,819	36,679,894
2001	\$ 2,057	\$ 309	137,301	42,365,278

FISCAL RESEARCH DIVISION 733-4910

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