

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2001

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HOUSE BILL 848

Short Title: Income Tax Health Credit.

(Public)

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Sponsors: Representatives Arnold and Morris.

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Referred to: Finance.

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March 29, 2001

A BILL TO BE ENTITLED

AN ACT TO ALLOW FOR AN INCOME TAX CREDIT FOR CERTAIN HEALTH EXPENSES.

The General Assembly of North Carolina enacts:

**SECTION 1.** Part 2 of Article 4 of Chapter 105 of the General Statutes is amended by adding a new section to read:

**"§ 105-151.29. Credit for certain health expenses.**

(a) Credit. – Subject to the limitations provided in this section, a taxpayer is allowed a credit against the tax imposed by this Part equal to seven percent (7%) of the amount paid by the taxpayer during the taxable year for one or more of the following for the taxpayer or the taxpayer's dependent child:

(1) Health insurance premiums.

(2) Medical or diagnostic exams related to sight or hearing not compensated for by insurance or otherwise.

(3) Hearing aids not compensated for by insurance or otherwise.

(4) Prescription eyeglasses or other prescription corrective lenses not compensated for by insurance or otherwise.

(b) Credit Limitations. – A nonresident or part-year resident who claims the credit allowed by this section shall reduce the amount of the credit by multiplying it by the fraction calculated under G.S. 105-134.5(b) or (c), as appropriate. In order to claim a credit under this section, a taxpayer must provide any information required by the Secretary to establish the taxpayer's eligibility for the credit and the amount of the credit.

(c) No Double Benefit. – If the taxpayer claimed a deduction for health insurance costs of self-employed individuals under section 162(l) of the Code for the taxable year, the amount of health insurance premiums for which the taxpayer is allowed a credit under this section is reduced by the applicable percentage provided in section 162(l) of the Code.

1 If the taxpayer claimed a deduction for medical care expenses under section 213 of  
2 the Code for the taxable year, the amount of the expenses for items (a)(1) and (a)(2) for  
3 which the taxpayer is otherwise allowed a credit under this section is reduced by a  
4 percentage. This percentage is equal to the percentage of the taxpayer's total medical  
5 expenses that exceed seven and one-half percent (7.5%) of the taxpayer's adjusted gross  
6 income for the taxable year.

7 No credit is allowed for payments that were excluded from the taxpayer's adjusted  
8 gross income for the taxable year.

9 No credit is allowed under this section for payments for health insurance premiums  
10 that are the subject of a credit claimed under G.S. 105-151.27.

11 (d) Definitions. – The following definitions apply in this section:

12 (1) Comprehensive health insurance plan. – Any of the following plans,  
13 policies, or contracts that provide health benefits coverage for  
14 dependent children for inpatient and outpatient hospital services,  
15 physicians' surgical and medical services, and laboratory and X-ray  
16 services; accident and health insurance policy or certificate; hospital or  
17 medical service corporation contract; HMO subscriber contract; plan  
18 provided by a MEWA or plan provided by another benefit  
19 arrangement, to the extent permitted by ERISA, and the North  
20 Carolina Teachers' and State Employees' Comprehensive Major  
21 Medical Plan established under Part 3 of Article 3 of Chapter 135 of  
22 the General Statutes. 'Comprehensive health insurance plan' does not  
23 mean any plan implemented or administered through the Department  
24 of Health and Human Services.

25 (2) Dependent child. – A child under the age of 19 for whom the taxpayer  
26 is allowed to deduct a personal exemption under section 151(c)(1)(B)  
27 of the Code.

28 (3) Health insurance premium. – An amount paid by the taxpayer for  
29 insurance coverage under a private or employer-sponsored  
30 comprehensive health insurance plan and an amount paid to purchase  
31 extended coverage under the Health Insurance Program for Children  
32 pursuant to G.S. 108A-70.21."

33 **SECTION 2.** G.S. 105-160.3(b) is amended by adding a new subdivision to

34 read:

35 "(b) The following credits are not allowed to an estate or trust:

36 ...

37 (8) G.S. 105-151.29. Credit for certain health expenses."

38 **SECTION 3.** This act is effective for taxable years beginning on or after

39 January 1, 2002.