

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2001

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SENATE BILL 1382

Short Title: Long-Term Care Tax Credits.

(Public)

Sponsors: Senators Forrester; Allran, Garwood, Kinnaird, and Webster.

Referred to: Finance.

June 13, 2002

1 A BILL TO BE ENTITLED
2 AN ACT TO AMEND THE INCOME TAX CREDIT FOR LONG-TERM CARE
3 INSURANCE AND TO CREATE AN INCOME TAX CREDIT FOR
4 INDIVIDUALS WITH LONG-TERM CARE NEEDS.

5 The General Assembly of North Carolina enacts:

6 **SECTION 1.** Section 29A.6(d) of S.L. 1998-212 reads as rewritten:

7 "Section 29A.6(d) Subsection (a) of this section is effective for taxable years
8 beginning on or after January 1, 1999, and expires for taxable years beginning on or
9 after January 1, 2004.1999. The remainder of this section is effective when it becomes
10 law. G.S. 105-160.3(b)(7), as enacted by this act, is repealed effective for taxable years
11 beginning on or after January 1, 2004."

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

14 "**§ 105-151.29. Credit for individuals with long-term care needs.**

15 (a) Credit. – A taxpayer is allowed, as a credit against the tax imposed by this
16 Part, an amount equal to the applicable credit amount multiplied by the number of
17 applicable individuals with respect to whom the taxpayer is an eligible caregiver for the
18 taxable year. A taxpayer is an eligible caregiver with respect to an individual who is (i)
19 the taxpayer, (ii) the taxpayer's spouse, or (iii) an individual with respect to whom a
20 taxpayer is allowed a deduction under section 151 of the Code. The credit allowed
21 under this section may not exceed the amount of tax imposed by this Part for the taxable
22 year reduced by the sum of all credits allowed, except payments of tax made by or on
23 behalf of the taxpayer. A nonresident or part-year resident who claims the credit
24 allowed by this subsection must reduce the amount of the credit by multiplying it by the
25 fraction calculated under G.S. 105-134.5(b) or (c), as appropriate.

26 (b) Applicable Credit Amount. – The applicable credit amount is calculated as
27 follows:

28 <u>Taxable Years Beginning</u>	<u>Applicable Credit Amount</u>
29 <u>In 2002</u>	<u>\$1,500</u>

1	<u>In 2003</u>	<u>2,000</u>
2	<u>In 2004</u>	<u>2,500</u>
3	<u>After 2004</u>	<u>3,000.</u>

4 (c) Limitation Based on Adjusted Gross Income. – The amount of the credit
5 allowed under subsection (a) of this section is reduced by one hundred dollars (\$100.00)
6 for each one thousand dollars (\$1,000), or fraction thereof, by which the taxpayer's
7 adjusted gross income exceeds the following thresholds:

8 (1) One hundred fifty thousand dollars (\$150,000) in the case of a married
9 couple filing jointly.

10 (2) Seventy-five thousand dollars (\$75,000) in any other case.

11 (d) No Double Benefit. – A credit may not be claimed with respect to an
12 individual by more than one eligible caregiver. If an individual has more than one
13 eligible caregiver, all eligible caregivers may, by agreement, designate which eligible
14 caregiver may claim a credit under this section. If no agreement can be reached, only
15 the eligible caregiver with the highest adjusted gross income may claim the credit
16 allowed by this section.

17 (e) Definitions. – The following definitions apply in this section:

18 (1) Applicable individual. – An individual who has been certified by a
19 physician within 12 months before the due date for filing the return as
20 an individual with long-term care needs for a period (i) that is at least
21 180 consecutive days and (ii) a portion of which occurs within the
22 taxable year.

23 (2) Individual with long-term care needs. – An individual who meets one
24 of the following requirements:

25 a. The individual is at least six years of age and one of the
26 following conditions applies:

27 1. The individual is unable, without substantial assistance
28 from another individual, to perform at least three
29 activities of daily living, as defined in section
30 7702B(c)(2)(B) of the Code, due to a loss of functional
31 capacity.

32 2. The individual requires substantial supervision to protect
33 the individual from threats to health and safety due to
34 severe cognitive impairment and is unable to perform,
35 without reminding or assistance, at least one activity of
36 daily living, as defined in section 7702B(c)(2)(B) of the
37 Code.

38 b. The individual is at least two years of age but less than six years
39 of age and is unable, without substantial assistance from
40 another individual, to perform at least two of the following
41 activities: eating, transferring, or mobility.

42 c. The individual is less than two years of age and requires
43 specific durable medical equipment by reason of a severe health
44 condition or requires a skilled practitioner trained to address the

1 individual's condition to be available if the individual's parents
2 or guardians are absent."

3 **SECTION 3.** G.S. 105-160.3(b) is amended by adding a new subdivision to
4 read:

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

6 ...

7 (8) G.S. 105-151.29. Credit for individuals with long-term care needs."

8 **SECTION 4.** This act is effective for taxable years beginning on or after
9 January 1, 2002.