

Senator Howard C. Nielson proposes to substitute the following bill:

LONG-TERM CARE AMENDMENTS

1999 GENERAL SESSION

STATE OF UTAH

Sponsor: Howard C. Nielson

AN ACT RELATING TO REVENUE AND TAXATION AND INSURANCE; CREATING AN INCOME TAX DEDUCTION FOR LONG-TERM CARE INSURANCE PREMIUMS; AND MAKING TECHNICAL CHANGES.

This act affects sections of Utah Code Annotated 1953 as follows:

AMENDS:

59-10-114, as last amended by Chapter 56, Laws of Utah 1997

Be it enacted by the Legislature of the state of Utah:

Section 1. Section **59-10-114** is amended to read:

59-10-114. Additions to and subtractions from federal taxable income of an individual.

(1) There shall be added to federal taxable income of a resident or nonresident individual:

(a) the amount of any income tax imposed by this or any predecessor Utah individual income tax law and the amount of any income tax imposed by the laws of another state, the District of Columbia, or a possession of the United States, to the extent deducted from federal adjusted gross income, as defined by Section 62, Internal Revenue Code, in determining federal taxable income;

(b) a lump sum distribution allowable as a deduction under Section 402(e)(3), Internal Revenue Code, to the extent deductible under Section 62(a)(8), Internal Revenue Code, in determining federal adjusted gross income;

(c) 25% of the personal exemptions, as defined and calculated in the Internal Revenue Code;

26 (d) a withdrawal from a medical care savings account and any penalty imposed in the
27 taxable year if:

28 (i) the taxpayer did not deduct or include the amounts on his federal tax return pursuant
29 to Section 220, Internal Revenue Code; and

30 (ii) the withdrawal is subject to Subsections 31A-32-105(1) and (2); and

31 (e) the amount refunded to a participant under Title 53B, Chapter 8a, Higher Education
32 Savings Incentive Program, in the year in which the amount is refunded.

33 (2) There shall be subtracted from federal taxable income of a resident or nonresident
34 individual:

35 (a) the interest or dividends on obligations or securities of the United States and its
36 possessions or of any authority, commission, or instrumentality of the United States, to the extent
37 includable in gross income for federal income tax purposes but exempt from state income taxes
38 under the laws of the United States, but the amount subtracted under this subsection shall be
39 reduced by any interest on indebtedness incurred or continued to purchase or carry the obligations
40 or securities described in this subsection, and by any expenses incurred in the production of
41 interest or dividend income described in this subsection to the extent that such expenses, including
42 amortizable bond premiums, are deductible in determining federal taxable income;

43 (b) 1/2 of the net amount of any income tax paid or payable to the United States after all
44 allowable credits, as reported on the United States individual income tax return of the taxpayer for
45 the same taxable year;

46 (c) the amount of adoption expenses which, for purposes of this subsection, means any
47 actual medical and hospital expenses of the mother of the adopted child which are incident to the
48 child's birth and any welfare agency, child placement service, legal, and other fees or costs relating
49 to the adoption;

50 (d) amounts received by taxpayers under age 65 as retirement income which, for purposes
51 of this section, means pensions and annuities, paid from an annuity contract purchased by an
52 employer under a plan which meets the requirements of Section 404 (a)(2), Internal Revenue Code,
53 or purchased by an employee under a plan which meets the requirements of Section 408, Internal
54 Revenue Code, or paid by the United States, a state, or political subdivision thereof, or the District
55 of Columbia, to the employee involved or the surviving spouse;

56 (e) for each taxpayer age 65 or over before the close of the taxable year, a \$7,500 personal

57 retirement exemption;

58 (f) 75% of the amount of the personal exemption, as defined and calculated in the Internal
59 Revenue Code, for each dependent child with a disability and adult with a disability who is
60 claimed as a dependent on a taxpayer's return;

61 (g) any amount included in federal taxable income that was received pursuant to any
62 federal law enacted in 1988 to provide reparation payments, as damages for human suffering, to
63 United States citizens and resident aliens of Japanese ancestry who were interned during World
64 War II;

65 (h) subject to the limitations of Subsection (3)(e), 60% of the amounts paid by the taxpayer
66 during the taxable year for health care insurance, as defined in Title 31A, Chapter 1, Insurance
67 Code, for the taxpayer, the taxpayer's spouse, and the taxpayer's dependents to the extent the
68 amounts paid for health insurance were not deductible under Sections 125, 162, or 213, Internal
69 Revenue Code, in determining federal taxable income;

70 (i) except as otherwise provided in this subsection, the amount of a contribution made in
71 the tax year on behalf of the taxpayer to a medical care savings account and interest earned on a
72 contribution to a medical care savings account established pursuant to Title 31A, Chapter 32,
73 Medical Care Savings Account Act, to the extent the contribution is accepted by the account
74 administrator as provided in the Medical Care Savings Account Act, and if the taxpayer did not
75 deduct or include amounts on his federal tax return pursuant to Section 220, Internal Revenue
76 Code. A contribution deductible under this subsection may not exceed either of the following:

77 (i) the maximum contribution allowed under the Medical Care Savings Account Act for
78 the tax year multiplied by two for taxpayers who file a joint return, if neither spouse is covered by
79 health care insurance as defined in Section 31A-1-301 or self-funded plan that covers the other
80 spouse, and each spouse has a medical care savings account; or

81 (ii) the maximum contribution allowed under the Medical Care Savings Account Act for
82 the tax year for taxpayers:

83 (A) who do not file a joint return; or

84 (B) who file a joint return, but do not qualify under Subsection (2)(i)(i); [and]

85 (j) the amount included in federal taxable income that was derived from money paid by
86 the taxpayer to the program fund and investment income earned on those payments under Title
87 53B, Chapter 8a, Higher Education Savings Incentive Program[-]; and

88 (k) for tax years beginning on or after January 1, 2000, any amounts paid for premiums
89 on long-term care insurance policies as defined in Section 31A-22-1402 to the extent the amounts
90 paid for long-term care insurance were not deducted under Section 213, Internal Revenue Code,
91 in determining federal taxable income.

92 (3) (a) For purposes of Subsection (2)(d), the amount of retirement income subtracted for
93 taxpayers under 65 shall be the lesser of the amount included in federal taxable income, or \$4,800,
94 except that:

95 (i) for married taxpayers filing joint returns, for each \$1 of adjusted gross income earned
96 over \$32,000, the amount of the retirement income exemption that may be subtracted shall be
97 reduced by 50 cents;

98 (ii) for married taxpayers filing separate returns, for each \$1 of adjusted gross income
99 earned over \$16,000, the amount of the retirement income exemption that may be subtracted shall
100 be reduced by 50 cents; and

101 (iii) for individual taxpayers, for each \$1 of adjusted gross income earned over \$25,000,
102 the amount of the retirement income exemption that may be subtracted shall be reduced by 50
103 cents.

104 (b) For purposes of Subsection (2)(e), the amount of the personal retirement exemption
105 shall be further reduced according to the following schedule:

106 (i) for married taxpayers filing joint returns, for each \$1 of adjusted gross income earned
107 over \$32,000, the amount of the personal retirement exemption shall be reduced by 50 cents;

108 (ii) for married taxpayers filing separate returns, for each \$1 of adjusted gross income
109 earned over \$16,000, the amount of the personal retirement exemption shall be reduced by 50
110 cents; and

111 (iii) for individual taxpayers, for each \$1 of adjusted gross income earned over \$25,000,
112 the amount of the personal retirement exemption shall be reduced by 50 cents.

113 (c) For purposes of Subsections (3)(a) and (b), adjusted gross income shall be calculated
114 by adding to federal adjusted gross income any interest income not otherwise included in federal
115 adjusted gross income.

116 (d) For purposes of determining ownership of items of retirement income common law
117 doctrine will be applied in all cases even though some items may have originated from service or
118 investments in a community property state. Amounts received by the spouse of a living retiree

119 because of the retiree's having been employed in a community property state are not deductible as
120 retirement income of such spouse.

121 (e) For purposes of Subsection (2)(h), a subtraction for an amount paid for health care
122 insurance as defined in Title 31A, Chapter 1, Insurance Code, is not allowed:

123 (i) for an amount that is reimbursed or funded in whole or in part by the federal
124 government, the state, or an agency or instrumentality of the federal government or the state; and

125 (ii) for a taxpayer who is eligible to participate in a health plan maintained and funded in
126 whole or in part by the taxpayer's employer or the taxpayer's spouse's employer.