

FEB 23 2001
WAYS AND MEANS

HOUSE FILE 388

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TEIG, BRAUNS, ARNOLD, and
VAN ENGELENHOVEN

HF
388

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to an individual income tax credit for the
2 purchase of nursing home care insurance and including a
3 retroactive applicability date provision.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. NEW SECTION. 422.11F NURSING HOME CARE
2 INSURANCE TAX CREDIT.

3 The taxes imposed under this division less the credits
4 allowed under section 422.12 shall be reduced by a nursing
5 home care insurance tax credit. The amount of the credit is
6 equal to fifty percent of the premium costs paid during the
7 tax year on each qualified long-term care insurance contract
8 that offers coverage to the taxpayer, the taxpayer's spouse or
9 dependent, or a parent or grandparent of the taxpayer or the
10 taxpayer's spouse. Any credit in excess of the tax liability
11 is nonrefundable. A deduction is not allowed for the tax year
12 for the amount of premium costs paid which is used in the
13 calculation of the credit taken under this section.

14 For purposes of this section, "qualified long-term care
15 insurance contract" means the same as defined in section 7702B
16 of the Internal Revenue Code. However, a long-term care
17 insurance contract that provides that before payment is made,
18 the beneficiary must be hospitalized prior to admittance to a
19 nursing home is not a qualified long-term care insurance
20 contract.

21 Sec. 2. RETROACTIVE APPLICABILITY. This Act applies
22 retroactively to January 1, 2001, for tax years beginning on
23 or after that date.

24 EXPLANATION

25 This bill provides a nursing home care insurance tax credit
26 under the individual income tax equal to 50 percent of the
27 premiums paid by the taxpayer on each qualified long-term care
28 insurance contract which covers the taxpayer, the taxpayer's
29 spouse or dependent, or a parent or grandparent of the
30 taxpayer or the taxpayer's spouse. Any excess credits are not
31 refundable. The insurance contract for which the credit is
32 allowed, per the Internal Revenue Code, is a renewable
33 insurance policy that has no cash surrender value and that
34 provides coverage for necessary diagnostic, preventive,
35 therapeutic, curing, treatment, mitigating, and rehabilitative

1 services to chronically ill individuals prescribed by a
2 licensed health care practitioner. However, if the insurance
3 contract has a provision that requires hospitalization prior
4 to admittance to a nursing home before payment is made, it is
5 not considered a qualified long-term care insurance contract.
6 A deduction for premium costs paid is not allowed to the
7 extent of the amount of the costs used in the calculation of
8 the credit taken.

9 The bill applies retroactively to January 1, 2001, for tax
10 years beginning on or after that date.

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