

LEGISLATIVE FISCAL ESTIMATE TO
ASSEMBLY COMMITTEE SUBSTITUTE FOR
ASSEMBLY, No. 516

STATE OF NEW JERSEY

DATED: OCTOBER 29, 1996

Assembly Committee Substitute to Assembly Bill No. 516 of 1996 would grant an employer who provides a long-term care insurance policy to employees a credit against tax liabilities owed to the State under the Corporation Business Tax (CBT) or the Gross Income Tax (GIT), whichever is applicable for business purposes. The credit would be in amount equal to 25 percent of the cost of the premiums paid by the taxpayer. The credit would not exceed 50 percent of the tax liability owed by the taxpayer nor reduce the tax liability to less than the statutory minimum. The credit would be allowable only for long-term care insurance policies that provide benefits for at least 12 months on expenses incurred for various medical or custodial services in or by a licensed home health agency or nursing care facility.

The Division of Taxation has prepared a fiscal note to Senate Bill No. 496 of 1996, a bill containing similarities to Assembly Bill No. 516 ACS of 1996. Most notably, the Senate bill would allow a 50 percent CBT credit for the cost of the premiums and any administrative costs incurred by the employer, but it does not provide a credit for proprietors and partnerships under the GIT. The fiscal note concluded the credit, under the provisions of the Senate bill, would cost the State \$2 million annually.

The Office of Legislative Services (OLS) did not disagree with the estimate made by the division noting the limited amount of data available. However, it pointed out the cost of the tax credit under the Senate bill may be greater in the future due to provisions contained in the federal Health Insurance Portability and Accountability Act of 1996. The federal legislation may encourage many employers to include long-term insurance contracts in employer benefit programs. This latter element plus the provision for a credit under the GIT in this Assembly bill suggests the cost to the State under this substitute could equal or exceed \$2 million per year.

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67.