

FISCAL NOTE TO
SENATE, No. 496

STATE OF NEW JERSEY

DATED: SEPTEMBER 27, 1996

Senate Bill No. 496 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. The credit would be in an amount equal to 50 percent of the cost. 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 for the bill. It concludes the State would lose approximately \$2 million of Corporation Business Tax revenue annually. The estimate is based on data from a 1994 Brookings Institution study entitled Sharing the Burden. This study reported the results of a simulation model that predicted a 20 percent federal tax credit might give a boost to the number of long-term care insurance policies being offered by employers and encourage employers to pay some or all of the costs of the policies. The Brookings study noted only 566 employers nationwide at the end of 1992 were offering long-term care insurance policies to employees and virtually all of the premiums for the 350,000 policies were paid by the workers. The Brookings simulation predicted private insurance coverage would jump 50 percent with a 20 percent tax credit and grow 10 percent per year thereafter. The division's cost estimate to the State is derived from these data. It assumes more employers would offer these policies to employees and the employers would pay the entire premium reported to average \$250 per policy per year.

The Office of Legislative Services (OLS) agrees with the estimate prepared by the division noting the limited data that are available. The OLS notes, however, that provisions contained in the federal Health Insurance Portability and Accountability Act of 1996 may encourage far greater numbers of employers in the future to include long-term care insurance contracts in employee benefit programs. This would increase the cost of the tax credit to the State significantly.

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