

REFERENCE TITLE: long-term care insurance; tax credit

State of Arizona  
Senate  
Forty-eighth Legislature  
Second Regular Session  
2008

## **SB 1270**

Introduced by  
Senator Allen

AN ACT

AMENDING SECTIONS 43-222 AND 43-1042, ARIZONA REVISED STATUTES; AMENDING TITLE 43, CHAPTER 10, ARTICLE 5, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1073.01; RELATING TO INDIVIDUAL INCOME TAX CREDITS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 43-222, Arizona Revised Statutes, is amended to  
3 read:

4 43-222. Income tax credit review schedule

5 Each year the joint legislative income tax credit review committee  
6 shall review the following income tax credits:

7 1. In 2007, sections 43-1077, 43-1078, 43-1079, 43-1080, 43-1165,  
8 43-1166, 43-1167 and 43-1169.

9 2. In 2008, sections 43-1074.01, 43-1081, 43-1168, 43-1170 and  
10 43-1178.

11 3. In 2009, sections 43-1076, 43-1081.01, 43-1084, 43-1162 and  
12 43-1170.01.

13 4. In 2010, sections 43-1075, 43-1075.01, 43-1079.01, 43-1087,  
14 43-1088, 43-1090.01, 43-1163, 43-1163.01, 43-1167.01, 43-1175 and 43-1182.

15 5. In 2011, sections 43-1074.02, 43-1083, 43-1085, 43-1164 and  
16 43-1183.

17 6. In 2012, sections 43-1073, 43-1086, 43-1089, 43-1089.01,  
18 43-1089.02, 43-1090, 43-1176 and 43-1181.

19 7. IN 2013, SECTION 43-1073.01.

20 Sec. 2. Section 43-1042, Arizona Revised Statutes, is amended to read:

21 43-1042. Itemized deductions

22 A. Except as provided by subsections B, D and E of this section, at  
23 the election of the taxpayer, and in lieu of the standard deduction allowed  
24 by section 43-1041, in computing taxable income the taxpayer may take the  
25 amount of itemized deductions allowable for the taxable year pursuant to  
26 subtitle A, chapter 1, subchapter B, parts VI and VII, but subject to the  
27 limitations prescribed by sections 67, 68 and 274, of the internal revenue  
28 code.

29 B. In lieu of the amount of the federal itemized deduction for  
30 expenses paid for medical care allowed under section 213 of the internal  
31 revenue code, the taxpayer may deduct the full amount of such expenses.

32 C. Notwithstanding subsection B of this section, expenses for medical  
33 care that are paid or reimbursed from the taxpayer's medical savings account  
34 pursuant to section 43-1028 shall not be deducted pursuant to this section.

35 D. A qualified defense contractor that is identified and certified by  
36 the department of commerce pursuant to section 41-1508 shall not claim both a  
37 deduction as provided by this section and a credit under section 43-1078 with  
38 respect to the same property taxes paid.

39 E. A taxpayer shall not claim both a deduction provided by this  
40 section and a credit allowed by this title with respect to the same **EXPENSE**  
41 **OR** charitable contributions.

42 F. The taxpayer may add any interest expense paid by the taxpayer for  
43 the taxable year that is equal to the amount of federal credit for interest  
44 on certain home mortgages allowed by section 25 of the internal revenue code.

1           Sec. 3. Title 43, chapter 10, article 5, Arizona Revised Statutes, is  
2 amended by adding section 43-1073.01, to read:

3           43-1073.01. Credit for long-term care insurance premiums

4           A. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2008, A  
5 CREDIT IS ALLOWED AGAINST THE TAXES IMPOSED BY THIS TITLE FOR PREMIUM COSTS  
6 PAID BY A RESIDENT OF THIS STATE DURING THE TAXABLE YEAR FOR LONG-TERM CARE  
7 INSURANCE COVERAGE FOR ANY OF THE FOLLOWING:

- 8           1. THE TAXPAYER.  
9           2. THE TAXPAYER'S SPOUSE.  
10          3. THE TAXPAYER'S PARENT OR PARENT-IN-LAW.

11          4. ANY OTHER PERSON WHO IS A DEPENDENT OF THE TAXPAYER, AS DEFINED IN  
12 SECTION 43-1001, AND SUBJECT TO THE QUALIFICATIONS PRESCRIBED BY SECTION  
13 151(c) OF THE INTERNAL REVENUE CODE.

14          B. THE AMOUNT OF THE CREDIT IS THE LESSER OF:

- 15          1. TEN PER CENT OF THE PREMIUM COSTS PAID DURING THE TAXABLE YEAR.  
16          2. FIVE HUNDRED DOLLARS WITH RESPECT TO EACH PERSON COVERED BY  
17 LONG-TERM CARE INSURANCE POLICIES.

18          C. IN ANY CASE THE AMOUNT OF THE CREDIT SHALL NOT EXCEED THE AMOUNT OF  
19 THE TAX OTHERWISE DUE FROM THE TAXPAYER UNDER THIS TITLE FOR THE TAXABLE  
20 YEAR, AFTER SUBTRACTING ALL OTHER APPLICABLE CREDITS. NO PORTION OF THE  
21 CREDIT MAY BE REFUNDED OR CARRIED FORWARD TO SUBSEQUENT TAXABLE YEARS.

22          D. TO QUALIFY FOR THE CREDIT UNDER THIS SECTION, A LONG-TERM CARE  
23 INSURANCE POLICY MUST MEET THE REQUIREMENTS OF TITLE 20, CHAPTER 6,  
24 ARTICLE 15.

25          E. A CREDIT IS NOT ALLOWED UNDER THIS SECTION FOR ANY PREMIUM AMOUNT  
26 THAT IS EITHER EXCLUDED FROM ARIZONA GROSS INCOME OR DEDUCTED OR SUBTRACTED  
27 IN COMPUTING ARIZONA ADJUSTED GROSS INCOME.

28          F. A HUSBAND AND WIFE WHO FILE SEPARATE RETURNS FOR A TAXABLE YEAR IN  
29 WHICH THEY COULD HAVE FILED A JOINT RETURN MAY DETERMINE BETWEEN THEM THE  
30 SHARE OF THE CREDIT EACH WILL CLAIM, BUT THE TOTAL OF THE SHARED CREDITS MAY  
31 NOT EXCEED THE AMOUNT THAT WOULD HAVE BEEN ALLOWED IF THEY HAD FILED A JOINT  
32 RETURN.

33           Sec. 4. Purpose

34           Pursuant to section 43-223, Arizona Revised Statutes, the legislature  
35 enacts section 43-1073.01, Arizona Revised Statutes, as added by this act, to  
36 mitigate the cost of long-term care insurance incurred by residents of this  
37 state.