



FYI Income 37

Long-Term Care Insurance Credit

A Colorado resident who purchases or makes a payment for a long-term care insurance policy may be able to claim a Long-Term Care Insurance credit. To qualify for the credit, the individual or spouse listed on the income tax return must also be the policyholder of such insurance. [§39-22-122, C.R.S.]

LIMITATIONS

General Limitation

Only one qualifying policy may be claimed per individual filing a return. A jointly-held policy between spouses shall be treated as a single policy.

The amount of the credit cannot exceed 25% of the total amount paid toward such insurance during the taxable period. The maximum credit per policy is \$150 or \$300 for a married couple with two separate policies.

The credit amount cannot exceed the total Colorado income tax liability for the period. Any unused portion of the credit may not be carried forward to a future tax period nor shall it be refunded.

Income Limitation

To qualify for the credit, the total federal taxable income cannot exceed:

- \$50,000 for an individual filing a single return or two individuals filing a joint return and who are claiming the credit for one policy (single);
- \$100,000 for two individuals filing a joint return and who are claiming the credit for two separate insurance policies or for a joint policy that covers each individual separately.

NONRESIDENTS AND PART-YEAR RESIDENTS OF COLORADO

Nonresidents of Colorado may not claim the long-term care insurance credit.

Part-year residents may claim the credit only if the expense is incurred during that part of the year the individual covered by the policy is a Colorado resident.

Definition

Long-term care insurance means any insurance policy or rider advertised, marketed, offered, or designed to provide coverage for not less than 12 consecutive months for each covered person on an expense-incurred, indemnity, prepaid, or other basis for one or more necessary or medically necessary diagnostic, preventive, therapeutic, rehabilitative, maintenance, or personal care services provided in a setting other than an acute care unit of a hospital. "Long-term care insurance" includes group and individual annuities and life insurance policies or riders that provide directly or that supplement long-term care insurance. This term does not include life insurance policies that accelerate the death benefit specifically for one or more of the qualifying events of terminal illness, medical conditions requiring extraordinary medical intervention, or permanent institutional confinement and that provide the option of a lump-sum payment for those benefits and in which neither the benefits nor the eligibility for the benefits is conditioned upon the receipt of long-term care. "Long-term care insurance" also includes a policy or rider that provides for payment of benefits based upon cognitive impairment or the loss of functional capacity. Long-term care insurance may be issued by insurers, fraternal benefit societies, nonprofit hospital, medical-surgical, and health service corporations, prepaid health plans, health maintenance organizations, or any similar organizations to the extent they are otherwise authorized to issue life or health insurance. "Long-term health care insurance" shall not include any insurance policy which is offered primarily to provide basic Medicare supplement coverage, basic hospital expense coverage, basic medical-surgical expense coverage, hospital confinement indemnity coverage, major medical expense coverage, disability income or related asset protection coverage, accident-only coverage, specified disease or specified accident coverage, or limited-benefit health coverage. [§10-19-103(5), C.R.S.]

POLICIES

A single individual (or a married person filing separately) can claim up to a \$150 credit, regardless of how many policies they hold.

A married couple who file a joint return can claim up to a \$300 credit if they each have a separate policy. However, if they hold one jointly-held policy the credit is limited to \$150 even if the policy covers both individuals.

Example 1: Stephanie has two long term health care insurance policies that qualify for the tax credit. Her federal taxable income is \$48,500. The annual premiums are \$900 for policy one and \$460 for policy two. The credit for policy one is \$150 and the credit for policy two is \$115. However, due to the limitation, she can claim only \$150.

Example 2: Rex and Linda have a joint policy with an annual premium of \$1,200. Their federal taxable income is \$46,000. The credit available is \$150.

Example 3: Robert and Debbie have three health care policies, one joint policy and two policies that cover each of them separately. Their annual premium for the joint policy is \$900 while the premiums for the separate policies are \$700 each. Their federal taxable income is \$68,000. A married couple filing jointly is eligible for up to two credits if their income is less than \$100,000 and the policies cover each spouse separately, so the credit available is \$300.

DOCUMENTATION

When claiming this credit, be sure to include with your return any year-end statement that discloses the premiums paid for each policy. Failure to provide the appropriate documentation may result in denial of the credit. Credit denials may be protested by sending the required documentation.

Documents may be submitted electronically through the E-Filer Attachment function of Revenue Online at www.Colorado.gov/RevenueOnline or by attaching to a paper return.

FYIs provide general information concerning a variety of Colorado tax topics in simple and straightforward language. Although the FYIs represent a good faith effort to provide accurate and complete tax information, the information is not binding on the Colorado Department of Revenue, nor does it replace, alter, or supersede Colorado law and regulations. The Executive Director, who by statute is the only person having the authority to bind the Department, has not formally reviewed and/or approved these FYIs.