

# FYI – For Your Information

## Long-Term Care Insurance Credit

For tax years beginning on or after January 1, 2000, an income tax credit is available for Colorado residents who purchase or pay premiums on a long-term care insurance policy. The credit is equal to 25% of the amount paid for the insurance during the year. [§39-22-122, C.R.S.]

### LIMITATIONS

#### General

The amount of the credit claimed may not exceed \$150 per policy.

The credit used cannot exceed the amount of the net tax liability. Any unused portion of the credit may not be carried forward to future years.

#### Income

The credit may be claimed only by

- an individual filing a single return with federal taxable income of less than \$50,000 for the year;
- two individuals filing a joint return with federal taxable income of less than \$50,000 for the year, and claiming a credit for one insurance policy; or
- two individuals filing a joint return with federal taxable income of less than \$100,000 for the year, and claiming a credit for two 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



Colorado Department of Revenue  
Taxpayer Service Division  
1375 Sherman St.  
Denver, Colorado 80261

Forms and other services:  
(303) 238-FAST (3278)  
Assistance:  
(303) 238-SERV (7378)

[www.taxcolorado.com](http://www.taxcolorado.com)

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*

An individual who files a single return can claim up to a \$150 credit for each policy.

Two individuals who file a joint return can claim up to a \$300 credit if they each have a separate policy. However, if they have a joint policy the credit is limited to \$150 even if the policy covers both individuals.

#### **EXAMPLES:**

##### *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, for a total credit of \$265.

##### *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.

#### **FURTHER INFORMATION**

FYIs, commonly used forms and additional tax information are available on the Web at [www.taxcolorado.com](http://www.taxcolorado.com)

For additional Colorado tax information visit the "Tax Information Index" which covers a variety of topics including links to forms, publications, regulations, statutes and general questions and answers. The "Tax Information Index" is located at [www.taxcolorado.com](http://www.taxcolorado.com)

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 authority to bind the Department, has not formally reviewed and/or approved these FYIs.