

Long-term care insurance premiums tax credit



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www.oregon.gov/DOR

Oregon allows a tax credit for long-term care insurance premiums.

Who can claim the credit?

To qualify, you must hold a policy that was issued on or after January 1, 2000, and you, your parents, or your dependents must be the beneficiaries. You may also claim the credit if you're an employer paying for long-term care insurance for your employees.

How much is the credit?

The credit is the smaller of 15 percent of the premiums paid or \$500. If you and your spouse/RDP file separate returns, you must prorate the credit, but can prorate it any way you choose. The combined credits on each person's separate return can't be more than the credit you would be allowed on a joint return.

For employers, the credit is the smaller of 15 percent of the premiums paid or \$500 multiplied by the number of Oregon employees covered.

Example 1: Ian purchased a long-term care insurance policy for himself in 2000. In 2008 he paid \$920 of premiums to renew his policy. Ian's credit is \$138 (\$920 × 15 percent).

Example 2: Jena purchased a long-term care insurance policy for herself in 1997. In 2008 she paid \$640 of premiums to renew the policy. Because Jena purchased her policy before 2000, she cannot claim this credit.

Example 3: Chevy purchased a long-term care insurance policy in 2008 for his elderly parents, Peter and Pansy. He paid \$2,600 in premiums. His parents are the beneficiaries. Chevy also paid \$500 in premiums to renew the long-term care insurance policy he purchased in 2001. He is the beneficiary. Chevy paid a combined total of \$3,100 in premiums on the two policies. His credit is \$465 (\$3,100 × 15 percent).

You must report any benefit from a federal deduction for the premiums as an Oregon addition.

Part-year residents and nonresidents. Multiply the credit allowed a full-year resident by your Oregon percentage.

No carryover. Your credit cannot be more than your tax liability for Oregon. Any credit not used this year is lost.

Oregon addition required for federal deduction

You may have an Oregon addition for long-term care insurance premiums if you answer yes to both of these questions:

- Are you claiming an Oregon long-term care insurance premiums credit (page 97)?
- Are you claiming a federal deduction for the premiums as a medical expense or a business expense?

If you answered **yes** to both questions, use the following formula to figure the Oregon addition:

$$\frac{\text{Total long-term care premiums included in federal itemized deductions}}{\text{Total medical itemized deductions (Federal Schedule A, line 1)}} \times \frac{\text{Federal medical deductions allowed (Federal Schedule A, line 4)}}{\text{Oregon addition}}$$

If you answered **no** to either or both questions, you **do not have** an Oregon addition.

Example 1: Ciara, age 43, paid premiums of \$1,350 during the tax year. On her federal return she is limited to a \$580 medical deduction for the premiums. She has other medical expenses of \$3,120. Her total medical expenses on Schedule A are \$3,700. Ciara has federal adjusted gross income (AGI) of \$38,000. She must reduce her medical expenses by the 7.5 percent AGI limitation (\$2,850). Her allowed medical deduction is \$850 (\$3,700 – 2,850). She computes her Oregon addition as follows:

$$\frac{\$580}{3,700} \times \$850 = \$133$$

Ciara must add back \$133 on her Oregon return before she claims the Oregon long-term care insurance premiums credit.

Example 2: Frances, age 66 and single, paid premiums of \$2,800 during the tax year. On her federal return she may claim all of these premiums for her medical deduction. She has other medical expenses of \$3,200. Her total medical expenses are \$6,000. Frances has

AGI of \$39,000. She must reduce the expenses by the 7.5 percent AGI limitation (\$2,925). Her allowed medical deduction is \$3,075 (\$6,000 – 2,925). She computes her Oregon addition to Oregon income as follows:

$$\frac{\$2,800}{6,000} \times \$3,075 = \$1,435$$

Frances must add back \$1,435 on her Oregon return before she claims the Oregon long-term care insurance premiums credit.

Because Frances is over age 62 and is itemizing her deductions, she is eligible for the special Oregon medical deduction. This is in addition to the Oregon long-term care insurance premiums credit. For more information about the special Oregon medical deduction, see page 77.

Exception to the addition

If you use the standard deduction on your federal return and claim itemized deductions for Oregon only, you will not have an Oregon addition for your long-term care insurance premiums.

Example 3: Danica, age 57 and single, used the standard deduction of \$5,450 on her 2008 federal return. Danica’s total itemized deductions are \$4,100. Her long-term care insurance premiums are \$1,000 of her \$4,100 total itemized deductions. Because the federal standard deduction of \$5,450 is more than her itemized deductions of \$4,100, it benefits Danica to use the federal standard deduction. Danica filed an “Oregon-only” Schedule A with her Oregon return. She ben-

efits more from her net Oregon itemized deductions of \$3,800 (\$4,100 – \$300 Oregon state income tax) than she would from her Oregon standard deduction of \$1,865. Because Danica had no federal benefit from her long-term care premiums, she will not have an Oregon addition for her premiums.

Business expense deduction

Did you claim a deduction for premiums paid for your employees on federal Schedule C, on your business tax return, or as an adjustment to income on Form 1040, line 31? If so, you will have an Oregon addition for the amount of premiums you deducted before you can claim the Oregon long-term care insurance premiums credit.

Taxpayer assistance

General tax information www.oregon.gov/DOR
Salem 503-378-4988
Toll-free from an Oregon prefix 1-800-356-4222

Asistencia en español:
Salem 503-378-4988
Gratis de prefijo de Oregon..... 1-800-356-4222

TTY (hearing or speech impaired; machine only):
Salem 503-945-8617
Toll-free from an Oregon prefix 1-800-886-7204

Americans with Disabilities Act (ADA): Call one of the help numbers for information in alternative formats.