

**PRELIMINARY STAFF MEASURE SUMMARY****CARRIER:**

Senate Committee on Senate Health Care

**REVENUE: May have revenue impact, statement not yet issued****FISCAL: May have fiscal impact, statement not yet issued****Action:****Vote:****Yeas:****Nays:****Exc.:****Prepared By:** Zena Rockowitz, Administrator**Meeting Dates:** 2/16

**WHAT THE MEASURE DOES:** Extends tax credit for long term care insurance premium to tax year beginning on or after January 1, 2022.

**ISSUES DISCUSSED:****EFFECT OF COMMITTEE AMENDMENT:**

**BACKGROUND:** In 1999, House Bill 2080 created the long-term care insurance premium to reduce the reliance of elderly clients on Medicaid through the purchase of long-term care insurance. For individuals, the credit is available for insurance purchased for themselves, their dependents, or their parents. For businesses, the credit is available for insurance purchased for employees in Oregon. The maximum income tax credit is 15 percent of the premiums paid or \$500 per insured person, whichever is lesser.

The intent of the credits is to encourage Oregon tax payers to purchase reduced insurance at younger ages and reduce financial pressures on Medicaid while increasing participation in private insurance. The Legislative Revenue Office (LRO) reports that, between 2005 and 2012, personal income tax file claims grew from \$7.3 million to \$11.1 million, and corporations claimed an average of about \$5,000 yearly. Claimants have grown from roughly 26,700 in 2005 to 37,100 in 2012. The number of corporations claiming credit was under ten each year. The administrative cost to the tax credit is likely to be minimal.

LRO reviewed studies related to the credits. One study concluded that while there are a number of factors that affect their purchase, state income tax credits have a slight positive impact. A study commissioned by AARP looked at state incentives and found that the number of policy holders exceeded the number of taxpayers claiming the incentive. Another author found differing impacts for high-income and low-income taxpayers in response to the incentives, and concluded that tax incentives are ineffective in reducing the costs of Medicaid. LRO notes that, given that the Oregon tax credit is only 15 years old, it may be too early to expect a significant cost savings and such an estimate is empirically difficult at this time.