OREGON DEPARTMENT OF REVENUE

ADMINISTRATIVE RULE REVIEW

| Rule No. | |
|---|---|
| 150-316-0517 | |
| Page: Page 1 of 2 | Last Revised Date: October 20, 2016 |
| NOTICE OF INTENDED ACTION | |
| Bulletin Dated: November 2016 | Hearing Scheduled: November 22, 2016 |

Repealed Rule

Permanent Rule

PURPOSE: The credit for Long-Term Care Insurance Premium was repealed during the 2009 Legislative Session and may not be claimed for tax years beginning on or after January 1, 2015. The accompanying administrative rule, Addition of Long-Term Care Insurance Premiums Claimed as Federal Deductions, is not necessary since the statute has been repealed.

150-316-0517 **[Repealed 12/31/2016]**

**~~Addition of Long-Term Care Insurance Premiums Claimed as Federal Deductions~~**

~~(1) If the Oregon credit for long-term care insurance premiums is claimed and the premiums are also taken as a federal deduction, an Oregon addition is required. The taxpayer must add back to income on the Oregon return a specified percentage of medical expenses allowed as a deduction on the federal return. The specified percentage is determined as the amount of long-term care insurance premiums included in total medical deductions on the federal return divided by the total medical deductions on the federal return. The Oregon addition equals the specified percentage multiplied by the total allowed medical deductions on the federal return. See the examples for further clarification.~~

~~Example 1: Rebecca, age 35, paid long-term care insurance premiums of $1,200 during the tax year. Under Internal Revenue Code section 213(d)(10), she is limited to a $210 federal itemized deduction for the premiums. She has other medical expenses of $3,600 for a total of $3,810 in deductible medical expenses. After the 7.5 percent federal adjusted gross income (FAGI) limitation, her allowed medical itemized deduction is $175.~~

~~Rebecca determines the specified percentage is equal to 5.5 percent ($210 ÷ $3,810). She multiplies that percentage by her allowed medical deduction of $175. The result is $10 ($175 x 5.5 percent), which is the addition she must include on her Oregon return.~~

~~Rebecca's Oregon credit under ORS 315.610 is based on the entire $1,200 of long-term care insurance premiums paid during the year.~~

~~Example 2: Sid paid long-term care insurance premiums of $1,200 during the tax year. He is over age 71 so his premium expenses are less than the federal limit under IRC 213(d)(10). His other medical expenses are $2,800 for a total of $4,000 in medical itemized deductions. After the 7.5 percent FAGI limitation, his allowed medical itemized deduction on the federal return is $2,050. On his Oregon return, Sid claims $1,950 as a special medical deduction under ORS 316.695(1)(d)(B).~~

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~~Sid computes his specified percentage by dividing the long-term care insurance premiums claimed on his federal return by the total medical deductions allowed on the federal return. The result is 30 percent ($1,200 ÷ 4,000 = 30 percent). Sid multiplies the allowed medical expense on his federal return of $2,050 by 30 percent. The result is $615, which is the amount Sid must report as an addition on the Oregon return if he claims the Oregon credit.~~

~~Example 3: Don provides long-term care insurance coverage for his five Oregon employees and claims the credit under ORS 315.610. He deducts the $5,000 premium expense as a business expense on his federal return. Don also claimed a self-employed health insurance deduction of $400. His total medical itemized deductions include long-term care premiums of $200 and other medical expenses of $2,000. His allowed medical itemized deduction after the 7.5 percent limitation is $700. Don computes his specified percentage of 40.6 percentage by dividing total long-term care premiums of $5,200 ($5,000 + 200) by total medical expenses of $12,800 ($5,000 + 200 +400 +2,000).~~

~~Don multiplies the total allowed medical deductions on the federal return of $5,700 ($5,000 + 700), by 40.6 percent to determine his Oregon addition of $2,314.~~

~~(2) No addition is required if the taxpayer claims the standard deduction on the federal tax return but claims medical expenses as an itemized deduction for Oregon.~~

~~Example 4: Jose and Luisa claim the standard deduction on the federal return but itemize deductions for Oregon. Included in the Oregon itemized deductions is $1,000 of long-term care insurance premiums. Jose and Luisa may claim a credit of $150 for the premiums paid during the tax year. They are not required to make an addition on the Oregon return.~~

~~[Publications: Publications referenced in this rule are available from the agency.]~~

~~Stat. Auth.: ORS 305.100~~

~~Stats. Implemented: ORS 316.680~~