

# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION  
SFN 2053 (2/85) 3M



ROLL NUMBER

DESCRIPTION

1224

2001 HOUSE FINANCE AND TAXATION

HB 1224

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1224

House Finance and Taxation Committee

Conference Committee

Hearing Date January 23, 2001

Tape Number	Side A	Side B	Meter #
1		X	1,277

Committee Clerk Signature *Jamie Stein*

Minutes:

**REP. AL CARLSON, CHAIRMAN**, Opened the hearing.

**REP. TODD PORTER, DIST. 34, MANDAN**, Introduced the bill. See attached written testimony.

**REP. RENNER** Asked how many people carry long term insurance?

**REP. PORTER** Stated he would refer that question to Mr. Poolman, Commissioner of Insurance.

**JIM POOLMAN, NORTH DAKOTA COMMISSIONER OF INSURANCE**, Testified in support of the bill. Submitted a handout relating to financing long-term care. He stated the average North Dakotan does not take advantage of this credit because it is not on the short-form. The dollars could be recouped back when people take advantage of the long term care insurance. Mr. Poolman gave a history of the tax credit. There is a fiscal note attached to the bill, our numbers on the fiscal note are a little different than the Tax Department's. We estimated a total

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House Finance and Taxation Committee

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number of long care insured of 20,000. There are currently about 1,400 that take advantage of the credit on the long form. We figure an estimated reduced income to the general fund of approximately 3.7 million. I know there is a concern out there of increasing the length of the short-form. I think it is a good idea of the legislature to look at the short-form, if you are worried about this issue. If you are worried about the length of the short-form and availability of credits and other things. I believe this is a significant policy change, and we can recoup some of those dollars back. We will do our part on the regulatory side or bureaucratic side, but we would also like some participation from you from the public policy side. People don't buy long term care insurance when they are young, the trouble with that is, when they buy it when they are older, when they see there might be a need, it kind of does damage to the risk pool out there. Medicare covers long term care facilities only for a short period of time, when it comes to a short stay, while recovering from an acute illness. The bill does have significant impact to the general fund, especially in a year when you are scraping for dollars for programs, but I firmly believe, and I heard it out on the campaign trail while running for insurance commissioner, is that people are concerned about long term care. People are concerned about the cost, we will address that from our side, and hope we can get your help on that also.

**REP. WINRICH** You estimated about 20,000 long term care insured in the state, and that 1400 of those currently use the long-form and take the credit? Do you have any projection of how this might increase the number of insured and generate the possible savings to the state budget?

**JIM POOLMAN** I thought about that when discussing this with the tax department. The potential significant increase because of the increase of long term care insurance, and then those

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folks taking the tax credit, but on the back end looking at that, I can't give you that answer. I

suppose we could do some study and research, we will try to get you some numbers on that.

**REP. CARLSON** Stated that there have been at least five other requests to move various credits to the short-form. As a committee, we will have to deal with that issue. If you add up the fiscal effect of all of those changes and moves to the short-form, your number would look relatively small.

**REP. HERBEL** Have there been any studies at all in a time element which it took to recoup that money?

**JIM POOLMAN** I have not seen them. It is very hard to prove what exactly that fiscal note will be. I think common sense tells us that the more people we move to a private pay system of long term insurance versus medicaid, there is going to be a significant impact.

**REP. SCHMIDT** I have been looking at long term care insurance, at my age, these guys follow me around. For a good policy, which is about \$3,000, if this bill would be passed, what kind of credit would I get.

**JIM POOLMAN** Your credit would be \$100, no matter what the premium is.

**SHELLY PETERSON, NORTH DAKOTA LONG TERM CARE ASSOCIATION**, Was unable to testify, but submitted written testimony in support of the bill. See attached testimony.

**DONNITA WALD, ATTORNEY WITH THE STATE TAX OFFICE** Appeared to give comments. She stated they had no quarrel with Mr. Poolman's numbers. They are in compliance. No problem with the tax credit.

**REP. BRANDENBURG** Asked whether there was any way of telling, by the people who have long term insurance, how much savings there would be on the back end.

**DONNITA WALD** I don't know how they would do that.

**REP. HERBEL** Will that \$100 credit really become a factor in buying long term insurance. It was not a factor when I bought long term insurance.

**REP. CARLSON** I agree with you, I surely wouldn't buy long term care insurance for the tax credit, it would be for my family, if I bought it.

**HOWARD SNORTLAND, AARP**, Testified in support of the bill. Stated he bought long term care insurance in 1990. He stated the first couple years the premium was the same, then it increased by twenty five percent each year, until finally, it went up to forty percent, so we dropped it. I became a plaintiff in a class action suit for fraud, against Acceleration Commonwealth. They settled, and we received our premiums back. Even though my experience has not been good, I still think it is a good idea.

**REP. DROVDAL** When you had long term insurance, did you use the short-form or the long-form?

**HOWARD SNORTLAND** As long as I can remember, I used the short form.

**TERRY WEISZ, NORTH DAKOTA ASSOCIATION OF INSURANCE, LIFE**

**UNDERWRITERS** Testified in support of the bill. He appeared in support of the bill for a couple reasons. A number of years ago, we couldn't find in our crystal ball what effect it could be if every one had long term care policy, but there certainly is a benefit. When you go to the grocery store, you get a coupon, not everybody sends or brings that coupon in, and it works the exactly same way with insurance. If there is a possible tax credit, it may motivate some people, who wouldn't have normally bought it. The total effect, is a pie in the sky.

With no further testimony, the hearing was closed.

**COMMITTEE ACTION, 1-23-01, TAPE #2, SIDE B, METER #1863**

Committee members mentioned that there probably should be changes made to the long form versus all of the exemptions to the short form. If changes were made to the long form, it would be more appealing to the taxpayers.

**REP. RENNER** Made a motion for a do not pass, because of the high fiscal note.

**REP. RENNERTFELDT** Second the motion. Motion carried.

14 yes      0 no      1 absent

**REP. KELSH** Was given the floor assignment.

**FISCAL NOTE**  
 Requested by Legislative Council  
 01/15/2001

Bill/Resolution No.: HB 1224

Amendment to:

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	1999-2001 Biennium		2001-2003 Biennium		2003-2005 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>			(\$4,600,000)			
<b>Expenditures</b>						
<b>Appropriations</b>						

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

1999-2001 Biennium			2001-2003 Biennium			2003-2005 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. **Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

HB 1224 allows the tax credit for long-term care insurance premiums to be claimed on the short form, Form 37-S.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

HB 1224 is estimated to reduce state general fund revenues by approx. -\$2.3 million per year, or -\$4.6 million per biennium.

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

<b>Name:</b>	Kathryn L. Strombeck	<b>Agency:</b>	Tax Department
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<b>Name:</b>	Kathryn L. Strombeck	<b>Agency:</b>	Tax Department
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Phone Number: 328-3402

Date Prepared: 01/22/2001

Date: 1-23-01  
Roll Call Vote #: 1

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. HB 1224

House FINANCE & TAXATION Committee

Subcommittee on \_\_\_\_\_  
or  
 Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken Do Not Pass

Motion Made By Rep. Renner Seconded By Rep. Rennerfeldt

Representatives	Yes	No	Representatives	Yes	No
CARLSON, AL, CHAIRMAN	✓		NICHOLAS, EUGENE	✓	
DROVDAL, DAVID, V-CHAIR	✓		RENNER, DENNIS	✓	
BRANDENBURG, MICHAEL	✓		RENNERFELDT, EARL	✓	
CLARK, BYRON	✓		SCHMIDT, ARLO	✓	
GROSZ, MICHAEL	✓		WIKENHEISER, RAY	✓	
HERBEL, GIL	✓		WINRICH, LONNY	✓	
KELSH, SCOT	✓				
KROEBER, JOE	✓				
LLOYD, EDWARD	✓				

Total (Yes) 14 No 0

Absent 1

Floor Assignment Rep. Kelsh

If the vote is on an amendment, briefly indicate intent:

