



Long-Term Care and Retirement Security Act of 2005

S. 1244/H.R. 2682

June 29, 2005

SPONSORS: Sen. Chuck Grassley (R-IA) (introduced 6/14/05)
Rep. Nancy Johnson (R-CT) (introduced 5/26/05)

COSPONSORS: S.1244 – 2
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Tax Deduction for the cost of long-term care insurance

25% for taxable year 2005, 2006, 2007

35% for 2008

65% for 2009

100% for 2010 & thereafter

Long-term care insurance permitted to be offered under Cafeteria Plans and Flexible Spending Arrangements

Tax Credit for Taxpayers with long-term care needs

\$1,000 for 2005

\$1,500 for 2006

\$2,000 for 2007

\$2,500 for 2008

\$3,000 for 2009 & thereafter

Credit Threshold – Credit amount is reduced by \$100 for each \$1,000 (or fraction thereof) above threshold amounts:

\$150,000 – joint return

\$75,000 – in other cases

Credit Indexing – will increase annually based on medical care cost adjustment

Credit amount – multiplied by the number of applicable individuals with respect to whom the taxpayer is an eligible caregiver for the taxable year. (Ex. Taking care of elder parents – amount of credit X 2)

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Eligible Caregiver

Taxpayer

Taxpayer's spouse

Individual with respect to whom the taxpayer is allowed a deduction

Applicable Individuals – In general, is an individual with long-term care needs described below, for a period which is at least 180 consecutive days, and a portion of which occurs within the taxable year.

At least six years of age:

1. Unable to perform at least 3 activities of daily living OR
2. Requires substantial supervision to protect such individual from threats to health & safety due to severe cognitive impairment and is unable to perform, without reminding or cuing assistance, at least 1 activity of daily living OR
3. Is unable to engage in age appropriate activities

Age 2 – 6:

1. Unable due to loss of functional capacity to perform at least 2 of the following activities: eating, transferring, or mobility.

Under 2 years of Age

1. Requires specific durable medical equipment by reason of a severe health condition OR
2. Requires a skilled practitioner trained to address the individual's condition to be available if the individual's parents or guardians are absent.