

# Long-Term Care Credit: Frequently Asked Questions

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California's long-term caregivers filing tax year 2000 returns may be able to reduce their taxes by \$500 for each individual they cared for. This fact sheet answers common questions you may have about this new long-term care credit.

## How do I qualify?

To qualify, you, your spouse, or your dependent must require long-term care. The person receiving the care must meet age-related long-term care requirements, must be in a specified relationship with you, and must have a physician's certification to verify long-term care needs. In addition, your California adjusted gross income for the tax year must be less than \$100,000.

## What are the age-related long-term care requirements?

There are three distinct age groups for this credit: under two years old, two to five years old, and six years or older. Each age group has specific long-term care requirements.

**Under two years old** – To qualify, the child must require **one** of the following:

- Specific durable medical equipment because of a severe health condition.
- A skilled practitioner trained to address the child's condition if the parents or guardians are absent.

### **At least two but less than six years old** –

To qualify, the child must be unable, due to a loss of functional capacity, to perform (without substantial assistance from another person) at least **two** of these three activities: eating, transferring, or mobility.

**Six years of age or older** – To qualify, the person must require **one** of the following:

- Substantial assistance from another individual to perform at least three defined activities of daily living (bathing, eating, continence, toileting, dressing, transferring) due to a loss of functional capacity.
- Substantial supervision to protect himself or herself from threats to health and safety due to severe cognitive impairment. The person must also be unable to perform at least one defined activity of daily living.

*If you have questions regarding these requirements, you may want to discuss them with your qualifying individual's physician.*

## What are the relationship requirements?

For you to be an eligible caregiver for the credit, the individual receiving your care must be you, your spouse, or your dependent. To qualify as your dependent, a person must meet all the following five tests:

### • **Member of Household or Relationship Test** –

The person must be an ancestor, descendent, sibling, aunt, uncle, stepchild, stepparent, son- or daughter-in-law, father- or mother-in-law, brother- or sister-in-law, or must have lived in your home as a family member all year.

• **Citizenship Test** – The person must be a U.S. citizen or resident alien, or a resident of Canada or Mexico.

• **Joint Return Test** – If the person is married, he or she cannot have filed a joint return unless neither spouse was required to file a joint return, neither would have had a tax liability if they filed separate federal returns, and the joint return was filed only to claim a refund.

• **Gross Income Test** – *The gross income test does not apply if the person is your child and is either under age 19, or a student under age 24.* For other dependents qualifying under the long-term care credit, a special gross income test exists. Instead of the normal gross income limitation for dependents (which, for taxable year 2000, is \$2,800), the person's gross income (excluding social security benefits) for the year must be less than \$7,200. Exception: if the person is over 65 years old or blind, the gross income maximum is increased by \$850 per exemption if married, or \$1,100 per exemption if unmarried. In the case of a married couple, both of whom are over 65 and blind, the maximum income is \$10,600 [ $\$7,200 + (4 \times \$850)$ ]. The amounts are determined based on the sum of:

1. Federal exemption amount – \$2,800 for taxable year 2000.
2. Federal standard deduction amount – \$4,400 for taxable year 2000.
3. Federal deduction for a person who was 65 years old or blind. For 2000, these amounts are \$850 per exemption for a married person, and \$1,100 per exemption for an unmarried person who was not a surviving spouse.

• **Support Test** – *This only applies to individuals who did not live with you for the full year.* You must have provided more than half the person's total support during the year. There is an exception for certain divorce agreements and multiple-support agreements. There is also a special long-term care exception for the support test; if the certified individual is your or your spouse's ancestor or descendent who lived in your home for more than half the year, we will waive the support test.

*For a more complete definition of a dependent, please see IRS Publication 17, Your Federal Income Tax, or Publication 501, Exemptions, Standard Deductions, and Filing Information.*

## What are the requirements for a physician's certification?

The physician's certification is a signed statement from the physician stating that the individual has long-term care needs that will last for at least 180 consecutive days. To be eligible for the 2000 tax year, a portion of the period during which a physician certified the individual as having long-term care needs must have occurred during 2000. Also, to be eligible for the 2000 tax year, a physician must have signed the certification sometime between January 1, 1998, and April 16, 2001. For the 2001 taxable year, the certificate must have been signed between January 1, 1999, and April 15, 2002, and in subsequent years, the starting and ending dates will increase by one year.

By the way, please do not attach the physician's certification to your tax return. We may request it at a later date however, so be sure you retain it with your records.

## What if I do not have a physician's certification?

You must have a written physician's certification to claim this credit. If you don't have the certification, be sure to request one from your qualifying individual's physician by April 16, 2001.

## What if the applicable individual died during the taxable year before the end of the 180-day certification period?

If the individual was alive during a portion of the 180-day certification period that occurred within the tax year, you qualify as the individual's eligible caregiver and you have a right to claim the credit.

## What if more than one person qualifies as the eligible caregiver?

If more than one person meets the criteria for claiming the credit, we will treat you as the eligible caregiver if the other eligible caregivers all sign written declarations that they will not claim the credit. If the other caregivers do not file written declarations, we will treat the person with the highest federal modified adjusted gross income (AGI) as the eligible caregiver.

Similarly, if married persons who filed separate returns both claim the credit for a certified individual, we will treat the spouse with the highest federal modified adjusted gross income as the eligible caregiver.

For most people, their federal modified AGI is the same as their federal AGI. To compute your federal modified AGI, you must add certain amounts to your federal AGI including certain losses and non-taxable income. *For complete details, please see IRS Publication 596, Earned Income Credit.*

## Are there other requirements or limitations?

You must include on your tax return the certified individual's name and social security number, and the certifying physician's medical license number.

Your California adjusted gross income must be under \$100,000 for the taxable year to take the credit. This amount is not adjusted for different filing statuses.

This is a non-refundable tax credit. You cannot carry it over to future tax years or carry it back and apply it against a prior year's tax. Also, you must claim this and other credits in the order specified on your tax return and in the related instructions booklet.

This credit is applicable to tax years beginning on or after January 1, 2000, and before January 1, 2005.

## How do I apply?

When preparing your California income tax return, complete California form FTB 3504, *Long-Term Care Credit*. Just follow the step-by-step instructions provided with the form to determine how much you will save on your state income tax. See the back page of this publication for information on how to get this and other forms.





## Specific Questions Regarding the Long-Term Care Credit

**Q** *My dad was disabled and met the basic requirements for the credit from October 1999 through September 2000. He lived with me during this time. I spent \$2,500 a month to have a nurse stay with him during the day. His California adjusted gross income for 2000 was \$17,000, but he did not spend any of it on his own care. Who qualifies for the credit?*

**A** Your father. He does not meet the requirements to be your dependent because his income exceeds the maximum that might be allowable under the gross income test. As a result, he is the only one who qualifies as the eligible caregiver for this credit.

**Q** *My mom meets the basic requirements for the credit. She lived in an assisted care facility during all of 2000, which I paid for. My income was \$60,000. Her income for the year was \$8,000. Can I claim the credit?*

**A** Either you or your mom can claim the credit. Your mother meets the requirements for being your dependent since she falls under the exception for the gross income test. (She was unmarried, under 65, not blind, and her income was under \$8,300 for 2000.) Your mother also qualifies as her own eligible caregiver. She can sign a written declaration stating that she will not take the credit. If she does not do so, you are considered to be the eligible caregiver since you have the highest federal modified adjusted gross income.

**Q** *My adult son meets the basic requirements for the credit. He lived with me for all of 2000 and his income was less than \$7,000. However, for me to remain employed, the county provided a full-time nurse to care for him during the day. The cost of the nursing care was more than half the total cost to support him. Can I claim the credit?*

**A** Yes. Your son meets the requirements for being your dependent since you fall under the special long-term care exception for the support test.

**Q** *My parents live together and my father is disabled. He qualifies as an applicable individual. I paid more than \$30,000 in 2000 for the round-the-clock care he requires. My parents' income was \$25,000, but they did not pay anything for my dad's care. Who gets the credit?*

**A** Your parents. Although you paid for the long-term care, your father does not meet the requirement for being your dependent since he did not meet the gross income test.

**Q** *My mother meets the basic requirements for the credit. During 2000, she lived with me and I provided all of her care. She had no income. My brother paid for most of our mother's support. Since both my brother and I can claim her as a dependent, who can claim the credit?*

**A** Either of you. If either you or your brother signs a written declaration that you or he will not claim the credit, the other person can take it. If one of you refuses to sign a declaration, we will consider the person with the highest federal modified adjusted gross income to be the eligible caregiver.

**Q** *I have a physician's certification dated in January 1999 that states my daughter needs substantial assistance with eating and mobility. She turned six in November 2000. Is this certification adequate?*

**A** Yes. The law says the need must exist for 180 days or more, and a portion of that time must fall within the tax year the claim is made. Your daughter was five at the beginning of 2000 and her condition continued through 2000. Therefore, she met the 180-day test while she was "at least two but less than six years old." However, if her condition continues into 2001, you will need a new certification under the six years and older requirements for your 2001 income tax return.

**Q** *My eight-year-old daughter lived in a state-supported health-care facility from March through December 2000. We have the appropriate physician's certification and our adjusted gross income is under \$100,000. Can we claim the credit?*

**A** Yes. The fact that your daughter was in a state-supported health-care facility does not disqualify you from claiming her as a dependent and claiming the long-term care credit. For tax purposes, we consider her stay to be temporary.

**Q** *My five-year-old son received supplemental security income (SSI) to help offset some of his expenses. He lived with us the entire year and has a physician's certification showing he meets the long-term care requirements for a two- to five-year-old. Can we still claim the credit?*

**A** Yes. Your son clearly meets all the tests with the possible exception of the gross income test. However, that test does not apply to your child who is either under age 19 or a student under age 24.

**Q** *My 10-month-old grandson has lived with me since birth and I provide all of his care and support. I have a written statement from his physician certifying he requires specific durable medical equipment because of a severe health condition that has existed since his birth. Our annual income is below \$100,000. Do we qualify for the credit?*

**A** Yes. Your grandson meets the age-related long-term care requirements and has a physician's certification. His relationship with you meets the relationship requirements. This entitles you to the credit.



## Related Forms and Publications

**Long-Term Care Credit** (form FTB 3504): This is the form and instructions for claiming the tax credit on your state income tax return.

## Where Do I Get More Information?

### **Legal Authorities**

Revenue & Taxation Code Section 17053.80 provides the legal authority for this credit.

Social Security Act Section 1861 (r) (1) defines physician.

Internal Revenue Code Section 7702B (c) (2) (B) defines activities of daily living.

### **Internet**

You can get the long-term care credit forms and other information about your state income tax from our Website:

[www.ftb.ca.gov](http://www.ftb.ca.gov)

### **Telephone**

Telephone assistance is available from 7 a.m. until 8 p.m. Monday through Friday and from 7 a.m. until 4 p.m. on Saturdays. From the first working day in January through the due date for filing a return (generally April 15), service is available from 6 a.m. until midnight Monday through Friday, and from 7 a.m. until 4 p.m. on Saturdays and holidays.

From within the U.S. (800) 852-5711  
From outside the U.S. (916) 845-6500 (not toll-free)

**Assistance for persons with disabilities:** We comply with the Americans with Disabilities Act. Persons with hearing or speech impairments may call, from voice phone, (800) 735-2922, or from TTY/TDD, (800) 822-6268.

### **Mail**

You can also order these forms by writing to:

TAX FORMS REQUEST UNIT  
FRANCHISE TAX BOARD  
PO BOX 307  
RANCHO CORDOVA CA 95741-0307