Long-Term Care Savings Plan Contribution

Long-Term Care Savings Plans are deposit accounts established by a participant with a participating financial institution, to be used for qualified long-term care expenses or long-term care insurance premiums for certain qualified individuals.

A participant means any individual who has contributed to a long-term care savings account at a financial institution which has executed a Participation Agreement with the State Treasurer.

A participating financial institution is a bank, savings bank, credit union, or other financial institution which has applied for and received approval from the State Treasurer to participate in the Long-Term Care Savings Plan. To find an approved participating financial institution near you, please contact the Nebraska State Treasurer's Office at (402) 471-2455 or see the State Treasurer's Web site, www.treasurer.state.ne.us.

Nebraska allows a deduction for the amount of annual contributions made to a Nebraska Long-Term Care Savings Plan account with a participating financial institution. The maximum annual deductible contribution is $1,000 for a single, head-of-household, or married-filing-separate return, or $2,000 for a married-filing-joint return.

To claim the deduction complete the Nebraska Schedule I and attach it to your Nebraska Individual Income Tax Return, Form1040N. An adjustment reducing federal adjusted gross income for any interest or dividends earned on deposits in a Nebraska Long-Term Care Savings Plan account may also be made on the appropriate line of the Schedule I.

A qualified individual may make withdrawals, as a participant, from his or her Nebraska Long-Term Care Savings Plan account to pay or reimburse long-term care expenses, or long-term care insurance premiums.

Qualified long-term care expense means the cost of long-term care in a long-term care facility or the cost of care provided in a person's home when the person receiving the care is unable to perform multiple basic life functions independently. For more details, see the State Treasurer's Web site.

Qualified long-term care insurance premiums means premiums paid for a long-term care insurance policy that offers coverage to a qualified individual, the individual's spouse, or another person for whom the qualified individual has an insurable interest.

A qualified individual is:

- A person who incurred long-term care expenses during the taxable year;
- A person who turned fifty years of age or older during the taxable year, and who made payments for long-term care insurance premiums during the taxable year.

Any participant who is not a qualified individual or who makes a withdrawal for any use other than transfer of account funds to a spouse, payment of long-term care expenses, payment of long-term care insurance premiums, or the death of the participant shall be subject to a ten-percent penalty on the amount withdrawn. In addition, federal adjusted gross income as reported on the taxpayer's Nebraska income tax return shall be increased by the amount of such non-qualified withdrawals up to the amount previously deducted on the participant's Nebraska income tax returns. This amount is reported as an "Adjustment Increasing Federal AGI" on the Nebraska Schedule I.