

Ed Bice - FAV - SB0786

Uploaded by: Bice, Ed

Position: FAV

NATIONAL ACTIVE AND RETIRED FEDERAL
EMPLOYEES ASSOCIATION MARYLAND FEDERATON
(NARFE)

Prepared testimony of Edward Bice
March 11, 2020

**REGARDING SB 786 INCOME TAX CREDIT FOR LONG
TERM CARE PREMIUMS**

My name is Edward Bice and I am a member of the National Active and Retired Federal Employees Association. I am a resident of Bowie, Maryland.

Maryland NARFE strongly supports SB 786 sponsored by Senator Klausmeier. This bill will provide an annual tax credit of \$500 for the purchase and retention of long-term care insurance instead of the present one time \$500 tax credit.

This bill provides a continuing incentive to maintain LTC insurance coverage, not just to buy it. This is the crucial difference. The State of Maryland is telling people that it is important to buy LTC insurance at an earlier age (50-60) when premiums are less and to keep it in force. Incentives to encourage the purchase of long-term care insurance should be viewed as an investment in easing the future burden on our state's MEDICAID resources whose expenditures are above the national average and consumes a quarter of the budget.,

The pay back on the incentive may not be realized for a decade or more as by the age of 85, 40%-50% of residents will be affected by Alzheimer's or other conditions that will require care. By 2030, it is estimated that 130,000 Maryland residents will have Alzheimer's requiring institutionalized or specialized home medical care. Alzheimer's is the only leading cause of death that has no cure or a preventable treatment.

Premiums for LTC insurance are increasing from 4-12%. Cost of care is increasing from plus 6%.

Since most of seniors and "Boomers" do not have LTC insurance, Maryland's MEDICAID costs will increase the tax burden on succeeding generations.

Thank you for this chance to testify. I will be happy to respond to your questions.

Edward Bice
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Letter in Support SB 786-HB 1365

Uploaded by: Crespo, Virginia

Position: FAV



Maryland Retired School Personnel Association

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www.mrspa.org

Senate Bill 786/HB 1365
In Support Of
Income Tax – Credit for Long - Term Care Premiums
Senate Budget and Taxation Committee
Hearing: March 11, 2020 at 1:00 p.m.
House Ways and Means Committee
Hearing: March 5, 2020 at 1:00 p.m.

The Legislative Committee of the Maryland Retired School Personnel Association (MRSPA) requests a favorable report on SB 786/HB 1365.

Maryland seniors who have taken responsibility for the potential need of long - term care by purchasing a long - term care insurance policy have committed themselves to significant expenditures in premiums. The cost to the individual over the lifetime of a policy can be exorbitant and is rising every year. Each Maryland resident holding a long-term care policy reduces the number of persons potentially dependent on the Maryland Medical Assistance Program. A small annual tax credit for owning a policy that will help the state avoid the dramatic cost of long-term care for the owners would be beneficial to both the state and the individual. It may also help to encourage others to purchase the insurance in the future. It's a win-win.

MRSPA has supported this concept in the past and would request that the General Assembly show your support of seniors and their desire to be responsible by finally passing this legislation.

On behalf of the almost 14,000 members of the Maryland Retired School Personnel Association, we urge your support for SB 786/HB 1365.

Sincerely,

A handwritten signature in black ink that reads "Ann Marie Downey".

Ann Marie Downey
President

A handwritten signature in blue ink that reads "Virginia G. Crespo".

Virginia Crespo
Legislative Aide

NARFE - FAV - SB0786

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**Statement of the Maryland Federation of National Active and
Retired Federal Employees**

On Senate Bill 786,

Income Tax – Credit for Long Term Care Premiums

Good Afternoon, Chairman Guzzone and Members of the Budget and Taxation Committee. My name is Robert Doyle and I am the Vice-Chair of the State Legislation Committee of the Maryland Federation of NARFE, the National Active and Retired Federal Employees Association. The mission of NARFE is to promote the general welfare of current and potential Federal annuitants by advising them with respect to their rights under retirement laws and regulations. We represent approximately 300,000 Federal employees and annuitants living in Maryland.

For many years, the NARFE SLC has advocated for legislation in Maryland which would foster the purchase of long term care insurance by Maryland consumers. For the benefit of all Maryland taxpayers, NARFE supports Senate Bill 786, Income Tax – Credit for Long Term Care Insurance.

What SB 786 Will Do

Under current Maryland law, a taxpayer can take a one-time only credit against the State income tax for 100% of your eligible LTC insurance premiums to a maximum of \$500. SB 786 will allow LTC insurance holders to take a annual tax credit – in tax years 2021 and 2022, the credit will be \$250, and from tax year 2023 and beyond the annual tax credit will be \$500. But this will be effective prospectively – it will apply only to LTC policies issued after December 31, 2020. Although LTC insurance can be purchased by anyone at any age, generally LTC will cost less when you are younger. SB 786 is expressly designed to not only encourage Maryland taxpayers to obtain LTC insurance earlier in life when the cost is lower, but also to retain the insurance by having an continuing annual tax credit.

LTC Insurance Tax Credits under Federal and Maryland Law

Tax credits for LTC insurance have been in place since 1996 for Federal tax returns. Federal law treats LTC premiums as deductible unreimbursed medical expenses, but only if an individual's unreimbursed medical expenses exceed 10% of the individual's Federal adjusted gross income.

LTC premiums may also qualify for pretax reimbursement plans such as Health Savings Accounts.

In Maryland, since 2000 Maryland law has provided for the one-time \$500 tax credit described above for taxpayers. In addition, since 1998, any employer, including organizations exempt from taxation under §501(c)(3) or (4) of the Internal Revenue Code, that provides long-term care insurance as part of an employee benefit package may claim a credit for costs incurred during the taxable year. The credit may be taken against corporate income tax, personal income tax, insurance premiums tax or public service company franchise tax. The same credit may not, however, be applied to more than one tax type.

Sole proprietorships, corporations and pass-through entities, such as partnerships, subchapter S corporations, limited liability companies and business trusts may claim the tax credit. The credit allowed is 5% of the employer's cost which may not exceed the lesser of \$5,000, or \$100 for each employee in the State covered by long-term care insurance provided under the employee benefits package. If the credit is more than the tax liability, the unused credit may be carried forward for the next five (5) tax years.

The Importance of LTC Insurance

As all members of this Committee, are well aware, statistics show that Maryland faces an aging population of Baby Boomers – by 2030, 25% of Maryland residents will be 60 years old or older. Figures from the Federal Department of Health and Human Services show that over ½ of all

persons 65 years old and older will need substantial amounts of Long Term Care at some point in their lives, and about 15% of these senior will need 5 or more years of Long Term Care. The costs of Long Term Care are high -- ranging from around \$50,000 a year for home health aides to well over \$100,000 for nursing home care.

So Maryland taxpayers are faced with the question of how to prepare for the event that they will need long term care, and they may think that Medicare or Medicaid will help. This is generally not the case. Medicare's coverage of nursing home care is quite limited. Medicare covers only up to 100 days of "skilled nursing care" per illness. To qualify, you must enter a Medicare-approved "skilled nursing facility" or nursing home within 30 days of a hospital stay that lasted at least three days. The care in the nursing home must be for the same condition as the hospital stay.

Regarding Medicaid, middle class families generally cannot qualify. Medicaid helps needy individuals pay for long-term care, but you do not need to be completely destitute to qualify. While in general a Medicaid applicant can have no more than \$2,000 in assets in order to qualify, this figure is higher in some states and there are many assets that don't count toward this limit. For example, the applicant's home will not be considered a countable asset for eligibility purposes to the extent the equity in the home is less than \$585,000, with the states having the option of raising this limit to \$878,000 (in 2019). In all states, the house may be kept with no equity limit if the Medicaid applicant's spouse or another dependent relative lives there. In addition the spouse of a nursing home resident may keep one half of the couple's joint assets up to \$126,420 (in 2019). But other assets may be subject to what is called a Medicaid spend-down

which can be quite complicated and usually needs the work of an experienced attorney to accomplish.

In light of all this, long term care insurance can be a good choice. We suggest that the new continuing tax credit can be a good incentive for taxpayers considering whether and when to buy LTC insurance. The passage and enactment of this bill will be a good complement to another current effort for which this Legislature is responsible – the Governor’s Task Force on Long Term Care Education and Planning.

The Task Force came from the passage of HB 953 in the 2017 session. The law commissioned the Task Force to make recommendations to improve efforts to educate Marylanders about planning for Long Term Care with the goal that:

“no Maryland resident turns 50 years old without receiving complete information about the risk of needing Long Term Care and the private options available to pay for long term care...”

The Task Force issued its final report on October 20, 2018 including numerous recommendations for LTC education and planning, such as:

- * including LTC planning as part of secondary school financial literacy courses;
- increasing LTC education by private and public employers in the state and
- revamping and streamlining applicable Maryland state agency websites with current and comprehensive LTC planning information.

As efforts are in place to implement these recommendations, it would be good for Maryland residents to read and learn about the new continuing annual \$500 LTC insurance tax credit which I hope you will pass.

In preparing my remarks to you today, I looked on the Maryland General Assembly website at all of the hearings on the site on the prior versions of this bill – both Senate and House – going back to 2010. In some earlier years, this bill had multiple sponsors – yet failed to make it out of committee. The Fiscal Notes for these earlier bills of course showed a decrease in revenue from expected use of the tax credit, but it would ignore and never discuss the potential savings in state Medicaid spending from people using LTC insurance instead of Medicaid. The Fiscal Note for this SB 786 is no different.

I hope you will see this bill as a win-win for both taxpayers and the state and give a favorable report for SB 786.

Thank you.

SB 786 Testimony Ltrhead Final RD 031020

Uploaded by: Doyle, Robert

Position: FAV



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Thank you.

Kathy Higgins - FAV - SB0786

Uploaded by: Siggins, Kathy

Position: FAV

National Active and Retired Federal Employees Association (NARFE)

Prepared Testimony of Kathy Siggins for the Senate Budget & Taxation Committee

March 11, 2020

Favorable - SB 0786 – Income Tax – Credit for Long-Term Care Insurance Premiums

Mr. Chairman,

Thank you for the opportunity to address this committee. My name is Kathy Siggins and I am a resident of Mount Airy, Maryland. I am Past President of the National Active and Retired Federal Employees Association (NARFE) Chapter 409 in Frederick, MD. I am also serving as the Alzheimer's Chair for our chapter, and a volunteer advocate for the Alzheimer's Association. I would like to thank Senator Katherine Klausmeier for sponsoring SB 0786, which would allow Maryland residents to claim a yearly tax credit of \$500 starting in 2023 to off-set the high cost of long-term care premiums, and to act as an incentive to younger individuals to purchase and maintain it. The current one-time tax credit of \$500 is not enough. I first looked into purchasing long-term care insurance in 1999 when I was 50. I had recently lost my husband to Alzheimer's which wiped out our life savings, plus I incurred addition debt when I was forced to place him into a long-term care facility for the last seven months of his life. There was no money left and I couldn't afford the high premiums at that time.

My husband was 57 when I first began noticing some unusual behavior which eventually lead to his early retirement from the U.S. Postal Service at the age of 60. He was Director, Office of Procurement and worked at Headquarters in Washington, DC. Our lives were thrown into chaos as anger and frustration began to creep into our lives. I was unaware of the fact that he had expressed his concern about his failing memory to our family doctor who later referred us to the National Institutes of Health for evaluation and diagnoses. I knew nothing about this horrible disease that was destroying our lives and slowly robbing me of my beloved husband, AND stealing our life savings. He was 20 years older than I so my journey as his caregiver began when I was just 37. He died on January 24, 1999, 10 days prior to his 71st Birthday. He had Alzheimer's for 13 years.

In 2019, the estimated cost of care to our nation, for individuals with Alzheimer's disease and other dementia was \$290 billion. Of that, Medicare and Medicaid covered \$195 billion, or 67% of the total health care and long-term care payments. Alzheimer's is the most expensive disease in the U.S., and could possibly be one of the largest expenditure in Maryland's budget. By voting to approve SB 0786 you would be providing an incentive to the 293,000 caregivers who are providing care to the 110,000 victims living in the State of Maryland. Caregivers experience first-hand the financial devastation that this disease renders its victims and would probably be the ones to consider purchasing long-term care insurance if the incentive was in place. I can't help but feel that things might have been different for me if we had had long-term care insurance. Perhaps we wouldn't have lost all of our retirement savings. Therefore, I respectfully ask that this committee vote in favor of SB 0786 as an investment to the State of Maryland and to our citizens. Thank you for your consideration.

Kathy Siggins, 13001 Purdum Court, Mount Airy, MD 21771, Phone: 301-639-6533

MRHA_INFO_SB 786

Uploaded by: Wilson, Lara

Position: INFO



Statement of Maryland Rural Health Association

To the Budget and Taxation Committee

March 11, 2020

Senate Bill 786: Income Tax – Credit for Long-Term Care Premiums

POSITION: LETTER OF INFORMATION

Senator Klausmeier, Chair Guzzone, Vice Chair Rosapepe, and members of the Budget and Taxation Committee, the Maryland Rural Health Association (MRHA) submits this **LETTER OF INFORMATION** for Senate Bill 786: Income Tax – Credit for Long-Term Care Premiums.

This legislation would alter the existing one-time long-term care insurance premiums income tax credit by allowing the credit to be claimed for every year a policy is in force. In tax years 2021 and 2022, individuals can claim a maximum credit of \$250 for each year the policy is in effect; the maximum credit that can be claimed is increased to \$500 beginning in tax year 2023. The changes in the credit are applicable only to policies issued after December 31, 2020.

MRHA's mission is to educate and advocate for the optimal health and wellness of rural communities and their residents. Membership is comprised of health departments, hospitals, community health centers, health professionals, and community members in rural Maryland.

Rural Maryland represents almost 80 percent of Maryland's land area and 25% of its population. Of Maryland's 24 counties, 18 are considered rural by the state, and with a population of over 1.6 million they differ greatly from the urban areas in the state.

Maryland law states that "many rural communities in the State face a host of difficult challenges relating to persistent unemployment, poverty, changing technological and economic conditions, an aging population and an out-migration of youth, inadequate access to quality housing, health care and other services, and deteriorating or inadequate transportation, communications, sanitations, and economic development infrastructure." (West's Annotated Code of Maryland, State Finance and Procurement § 2-207.8b)

MRHA believes that this legislation is a step toward alleviating access to long-term care for rural Marylanders. However, it does not address the underlying issue of the need for community capacity building and the need for increased facilities that would lessen the burden of finding available facilities. To ensure the optimal health and wellness of rural communities and their residents, MRHA recommends that more consideration be given to the deficiency in access to long term care for rural communities.

Lara Wilson, Executive Director, larawilson@mdruralhealth.org, 410-693-6988