

HOUSE BILL 1003

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Q7
HB 1027/97 - W&M

1998 Regular Session
8r1307

By: **Delegates Redmer, Ports, M. Burns, Greenip, Finifter, Cryor, Jacobs, Stup, Preis, Elliott, Hubbard, Hammen, Kittleman, Pitkin, Stocksdale, Schade, and ~~Hutchins~~ Hutchins, and Howard**

Introduced and read first time: February 13, 1998
Assigned to: Ways and Means

Committee Report: Favorable with amendments
House action: Adopted
Read second time: March 20, 1998

CHAPTER _____

1 AN ACT concerning

2 **Tax Credit for Employer-Provided Long-Term Care Insurance**

3 FOR the purpose of allowing certain credits against the State income tax, insurance
4 premiums tax, financial institution franchise tax, and public service company
5 franchise tax for certain costs incurred by employers that provide long-term
6 care insurance as part of an employee benefits package; providing for the
7 calculation of the credit; providing for the carryover of unused credit if the credit
8 exceeds the total tax otherwise payable for a taxable year; providing for the
9 application of this Act; requiring that the Department of Legislative Services
10 conduct a certain study and report to certain committees of the General
11 Assembly; providing for the termination of this Act; and generally relating to a
12 tax credit against the State income tax, financial institution franchise tax,
13 public service company franchise tax, and insurance premiums tax for
14 employer-provided long-term care insurance.

15 BY adding to
16 Article - Tax - General
17 Section 8-218, 8-415, and 10-709
18 Annotated Code of Maryland
19 (1997 Replacement Volume)

20 BY adding to
21 Article - Insurance
22 Section 6-117
23 Annotated Code of Maryland

1 (1997 Volume)

2 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
3 MARYLAND, That the Laws of Maryland read as follows:

4 **Article - Tax - General**

5 8-218.

6 A FINANCIAL INSTITUTION MAY CLAIM A CREDIT AGAINST THE FINANCIAL
7 INSTITUTION FRANCHISE TAX FOR EMPLOYER-PROVIDED LONG-TERM CARE
8 INSURANCE AS PROVIDED UNDER § 10-709 OF THIS ARTICLE.

9 8-415.

10 A PUBLIC SERVICE COMPANY MAY CLAIM A CREDIT AGAINST THE PUBLIC
11 SERVICE COMPANY FRANCHISE TAX FOR EMPLOYER-PROVIDED LONG-TERM CARE
12 INSURANCE AS PROVIDED UNDER § 10-709 OF THIS ARTICLE.

13 10-709.

14 (A) IN THIS SECTION, "LONG-TERM CARE INSURANCE" HAS THE MEANING
15 STATED IN § 18-101 OF THE INSURANCE ARTICLE.

16 (B) (1) SUBJECT TO THE LIMITATION UNDER PARAGRAPH (2) OF THIS
17 SUBSECTION, AN EMPLOYER MAY CLAIM A TAX CREDIT IN AN AMOUNT EQUAL TO 5%
18 OF THE COSTS INCURRED BY THE EMPLOYER DURING THE TAXABLE YEAR TO
19 PROVIDE LONG-TERM CARE INSURANCE AS PART OF AN EMPLOYEE BENEFIT
20 PACKAGE.

21 (2) THE CREDIT ALLOWED UNDER THIS SECTION MAY NOT EXCEED THE
22 LESSER OF:

23 (I) \$5,000; OR

24 (II) \$100 FOR EACH EMPLOYEE COVERED BY LONG-TERM CARE
25 INSURANCE PROVIDED UNDER THE EMPLOYEE BENEFIT PACKAGE.

26 (C) (1) AN INDIVIDUAL OR CORPORATION MAY APPLY THE CREDIT
27 UNDER SUBSECTION (B) OF THIS SECTION AGAINST THE STATE INCOME TAX.

28 (2) AN ORGANIZATION THAT IS EXEMPT FROM TAXATION UNDER §
29 501(C)(3) OR (4) OF THE INTERNAL REVENUE CODE MAY APPLY THE CREDIT UNDER
30 THIS SECTION AGAINST STATE INCOME TAX DUE ON UNRELATED BUSINESS
31 TAXABLE INCOME AS PROVIDED UNDER §§ 10-304 AND 10-812 OF THIS TITLE.

32 (D) (1) IF THE EMPLOYER IS SUBJECT TO MORE THAN ONE TAX AGAINST
33 WHICH THE CREDIT ALLOWED UNDER THIS SECTION MAY BE APPLIED, THE SAME
34 CREDIT MAY NOT BE APPLIED MORE THAN ONCE AGAINST DIFFERENT TAXES.

1 (2) IF THE CREDIT ALLOWED UNDER THIS SUBSECTION IN ANY TAXABLE
2 YEAR EXCEEDS THE TOTAL TAX OTHERWISE PAYABLE BY THE EMPLOYER FOR THAT
3 TAXABLE YEAR, THE EMPLOYER MAY APPLY THE EXCESS AS A CREDIT FOR
4 SUCCEEDING TAXABLE YEARS UNTIL THE EARLIER OF:

5 (I) THE FULL AMOUNT OF THE EXCESS IS USED; OR

6 (II) THE EXPIRATION OF THE 5TH TAXABLE YEAR AFTER THE
7 TAXABLE YEAR IN WHICH THE COSTS TO PROVIDE LONG-TERM CARE INSURANCE AS
8 PART OF AN EMPLOYEE BENEFIT PACKAGE WERE INCURRED.

9 **Article - Insurance**

10 6-117.

11 AN INSURER MAY CLAIM A CREDIT AGAINST THE PREMIUM TAX FOR
12 EMPLOYER-PROVIDED LONG-TERM CARE INSURANCE AS PROVIDED UNDER § 10-709
13 OF THE TAX - GENERAL ARTICLE.

14 SECTION 2. AND BE IT FURTHER ENACTED, That the Department of
15 Legislative Services shall conduct a study on the effectiveness of the tax credit
16 program established under this Act in increasing the availability of
17 employer-provided long-term care insurance to employees and on the feasibility of
18 providing alternative incentives that might directly encourage individuals to
19 purchase long-term care insurance, and shall report on the results of its findings to
20 the House Committee on Ways and Means and the Senate Budget and Taxation
21 Committee by December 1, 2000.

22 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take
23 effect ~~October~~ July 1, 1998 and shall be applicable to all taxable years beginning after
24 December 31, ~~1998~~, 1998, but before January 1, 2003; provided, however, that any
25 excess credits under § 10-709 of the Tax - General Article may be carried forward
26 and, subject to the limitations under § 10-709 of the Tax - General Article, may be
27 applied as a credit for taxable years beginning on or after January 1, 2003. Except as
28 otherwise provided in this section, this Act shall remain in effect for a period of 5
29 years and at the end of June 30, 2003, with no further action required by the General
30 Assembly, this Act shall be abrogated and of no further force and effect.