

SENATE BILL 638

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SB 30/97 - B&T

1998 Regular Session
8r1717

By: ~~Senators Hollinger, Dorman, Green, Haines, Craig, Derr, and Middleton~~
Middleton, Hoffman, Boozer, Currie, Fry, Kasemeyer, Lawlah,
McFadden, Munson, Neall, Ruben, and Van Hollen

Introduced and read first time: February 6, 1998
Assigned to: Budget and Taxation

Committee Report: Favorable with amendments
Senate action: Adopted
Read second time: March 17, 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 the Department of Health and Mental Hygiene
10 to conduct a certain study and report to the Governor and the General Assembly
11 in a certain manner; and generally relating to a tax credit against the State
12 income tax, financial institution franchise tax, public service company franchise
13 tax, and insurance premiums tax for employer-provided long-term care
14 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 UNDER
27 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 on or before October 1,
15 2001, the Department of Health and Mental Hygiene shall submit a report to the
16 Governor, and, subject to § 2-1246 of the State Government Article, to the General
17 Assembly on efforts taken by the Department to educate the public on the importance
18 of individual long-term care planning and the effectiveness of the tax credit program
19 established under this Act in increasing the sales of long-term care insurance policies
20 in Maryland, including an analysis of employers having taken advantage of this tax
21 credit program, a profile of the employees covered by employer-provided long-term
22 care insurance policies, the impact of this tax credit program on State revenues, and
23 any other information that the Department considers relevant in evaluating the
24 effectiveness of this tax credit program.

25 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
26 October 1, 1998 and shall be applicable to all taxable years beginning after December
27 31, 1998.