**SB 482**

# Department of Legislative Services

Maryland General Assembly

## FISCAL NOTE

Senate Bill 482 (Senator Teitelbaum, *et al.*)
Budget and Taxation

### Income Tax Credit for Long-Term Care Expenses

This bill creates an income tax credit of 20% of the unreimbursed expenses paid by an individual for "qualified long-term care services" for the individual or a relative of the individual. Qualified long-term care services do not include services provided to residents of a nursing home or similar facility. The credit may only be claimed by those with federal adjusted gross income of $45,000 or less (for taxpayers filing separately, the credit may only be claimed if Maryland taxable income is $20,000 or less). The maximum credit is $300; for married individuals filing separately, the maximum is $150.

This bill is effective July 1, 1998, and applies to all taxable years beginning after December 31, 1997.

## Fiscal Summary

**State Effect:** General fund revenues could decline by an estimated $14.9 million beginning in FY 1999, increasing by 1% in the out-years. Expenditures could increase an estimated $49,000.

| (in millions) | FY 1999 | FY 2000 | FY 2001 | FY 2002 | FY 2003 |
|---|---|---|---|---|---|
| GF Revenues | ($14.9) | ($15.1) | ($15.3) | ($15.4) | ($15.6) |
| GF Expenditures | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net Effect | ($15.0) | ($15.1) | ($15.3) | ($15.4) | ($15.6) |

*Note: ( ) - decrease; GF - general funds; FF - federal funds; SF - special funds*

**Local Effect:** None.

**Small Business Effect:** None.

## Fiscal Analysis

**State Revenues:** In 1998, an estimated 75,000 individuals will receive long-term care services at home in Maryland. The annual cost for long-term care is over $1,500 per year, so almost all individuals would receive the maximum credit. Long-term care insurance pays for about 2% of total long-term care costs.

Assuming a proportional distribution of individuals receiving long-term care across income classes and filing status, about 50,130 of the 75,000 individuals receiving long-term care would qualify for the credit. Assuming the maximum credit of $300, and accounting for the costs paid by insurance, general fund revenues would decline by $14.7 million. Additionally, approximately 1,190 married filing separate taxpayers would qualify and receive a $150 credit, for a net decline in general fund revenues of $14.9 million. This loss is estimated to increase at 1% per year, primarily due to increased numbers of individuals requiring long-term care. The loss would occur in the fiscal year following the tax year in which it is claimed.

**State Expenditures:** The Office of the Comptroller would incur computer programming costs of $49,000 in fiscal 1999. The Department of Legislative Services advises that economies of scale regarding computer programming changes could be realized, since there will be changes to the income tax processing system due to the 1997 income tax reduction which is phased in through 2002.

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**Information Source(s):** Office of the Comptroller (Bureau of Revenue Estimates), Department of Legislative Services

**Fiscal Note History:** First Reader - February 16, 1998
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