HB 396

Department of Legislative Services

Maryland General Assembly
2001 Session

FISCAL NOTE

House Bill 396 (Delegates Petzold and Redmer)
Ways and Means

Income Tax - Credit for Long-Term Care Insurance Premiums

This bill extends the credit for long-term care insurance premiums established by Chapter 242 of 2000 to individuals who were covered by long-term care insurance premiums prior to July 1, 2000.

The bill takes effect July 1, 2001 and applies to all taxable years beginning after December 31, 2000.

Fiscal Summary

State Effect: General fund revenue decrease of approximately $24.6 million in FY 2002. No effect on expenditures.

(in dollars)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
GF Revenue	($24,600,000)	$0	$0	$0	$0
Expenditure	$0	$0	$0	$0	$0
Net Effect	($24,600,000)	$0	$0	$0	$0

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None. The credit is taken against the State income tax only.

Small Business Effect: None.

Analysis

Current Law: Chapter 242 of 2000 created a credit against the individual income tax for 100% of the premiums paid for long-term care insurance by an individual for coverage of the individual or the individual's spouse, parent, stepparent, child, or stepchild. The credit may not exceed $500 for each insured for whom an individual pays the premiums and may not be claimed with respect to an insured individual if the insured individual was covered by long-term care insurance at any time before July 1, 2000. The credit may only be claimed for one tax year. This credit does not affect the tax treatment of any deduction allowed under federal law for long-term care premiums.

The amount of the Maryland credit is based on the allowable federal deduction for long-term care premiums which is subject to age limitations. These limitations are outlined in **Exhibit 1**.

Exhibit 1
Federal Deduction Amount

Age	**Tax Year 2000**	**Projected Tax Year 2001**
40 or less	$220	$230
Over 40 but less than 50	$410	$430
Over 50 but less than 60	$820	$860
Over 60 but less than 70	$2,200	$2,290
Over 70	$2,750	$2,860

State Revenues: General fund revenues would decline by $24.6 million in fiscal 2002 only based on the following facts and assumptions:

- About 50,984 policies (of which 5,700 were purchased after July 1, 2000) will be in effect in Maryland in tax year 2001. These policies represent individual or group association plans or policies that are included as a rider to a life insurance plan. The average age of these policyholders is 64, and the average cost of these policies is $1,425.

- About 7,582 additional individuals in Maryland will hold policies (of which 600 were purchased after July 1, 2000) through employer-provided benefits packages in tax year 2000. The average age of these policyholders is 43 and the average employee contribution to these policies is $275.

All individuals purchasing policies on their own will receive the maximum $500 credit, since the average cost exceeds the maximum credit allowed. The average credit for policies purchased through employer-sponsored benefits plans will be $275. Thus, this credit would result in a general fund revenue loss of $27.6 million, which includes $3 million for credits issued under current law. Because the credit may be claimed only once, this loss will be realized in fiscal 2002 only, when 2001 tax returns are filed.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader – February 15, 2001
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