HB 315

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE
Revised

House Bill 315 (The Speaker, *et al.*) (By Request – Administration)
Ways and Means Budget and Taxation

Family Caregiver Assistance Program

This bill establishes the Family Caregiver Assistance Program within the Department of Aging. The grant program would receive an annual appropriation. The purpose of the program is to provide grants to eligible individuals who provide long-term care to certain individuals. The Department of Aging is required to adopt regulations to implement the program.

The bill takes effect July 1, 2006.

Fiscal Summary

State Effect: General fund expenditures could increase by $15,900 in FY 2007 due to implementation costs at the Department of Aging. Future years reflect annualization, inflation, and the issuance of $250,000 in grants each year.

(in dollars)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Revenues	$0	$0	$0	$0	$0
GF Expenditure	15,900	306,700	309,700	313,500	317,300
Net Effect	($15,900)	($306,700)	($309,700)	($313,500)	($317,300)

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

Local Effect: None.

Small Business Effect: A small business impact statement was not provided by the Administration in time for inclusion in this fiscal note. A revised fiscal note will be issued when the Administration's assessment becomes available.

Analysis

Bill Summary: This bill establishes the Family Caregiver Assistance Program within the Department of Aging. Under the program, a maximum grant of $500 can be provided to eligible individuals who provide long-term care to certain individuals. Grants may be used to defray the cost of goods and services required to provide long-term care, including durable medical equipment, medical bills, medical supplies, prescription or over-the-counter medications, home repairs or modifications, and respite care.

In order to qualify, the long-term care provider must: (1) reside with the individual receiving the care; (2) provide care for an individual who has been certified by a licensed physician as requiring long-term care needs for at least 180 consecutive days during the year; (3) have a household income equal to 200% or less of the State median income; and (4) provide long-term care to an individual age 18 years of older who is a spouse, parent, stepparent, grandparent, child, stepchild, sibling, aunt, uncle, son-, daughter-, mother-, or father-in-law. Care must be provided to an individual who is unable to perform without substantial assistance at least three activities of daily living or one activity of daily living and requires substantial supervision to protect the individual from health and safety threats due to severe cognitive impairment.

The Department of Aging is required to: (1) adopt regulations to implement the program; (2) report annually to the Governor and the General Assembly on the program; and (3) submit a report by January 1, 2007 on the availability of federal or private funding to support the program. The regulations adopted by the department must ensure that grants be allocated among all counties and Baltimore City based on the proportion of the State population aged 18 years or older.

The program is to be funded as provided in the State budget, and the program can accept federal and private funds.

Current Law: Certain long-term care expenses and providers could qualify for existing State and federal tax benefits.

For federal income tax purposes, there are two existing tax incentives for child and dependent care expenses: the dependent care credit and the employer-provided dependent care spending account.

The dependent care credit is allowed for child care expenses for children through age 12 or for day care expenses for disabled spouses or dependents. These expenses qualify only if they are necessary in order for the person claiming the credit to work or seek work. The federal Economic Growth and Tax Relief Reconciliation Act of 2001 increased the percentage of allowed expenses from 30% to 35%. The Act also increased the amount of eligible expenses to $3,000 for one qualified dependent and $6,000 for two or more qualified dependents (from $2,400 and $4,800, respectively). The beginning point for the phase-out of the credit was increased to adjusted gross income over $15,000. As a result, the percentage of allowed expenses is reduced to 20% for individuals with income over $43,000.

The federal employer-provided dependent care spending account allows an employee to receive up to $5,000 tax-free each year, to be placed in a "flexible spending account" from which the employee gets reimbursed for dependent care expenses. The amount placed in the spending account reduces the amount that may be claimed under the dependent care credit, so that an individual making full use of a dependent care spending account does not get to claim the credit. Not all employers provide these accounts.

The State provides an income tax credit for child and dependent care expenses equal to 32.5% of the federal child and dependent care credit. The maximum allowable income is $50,000 ($25,000 for a married individual filing a separate return). If an individual's federal adjusted gross income for the taxable year exceeds $41,000, the Child and Dependent Care Credit is reduced by 10% for each $1,000 or fraction of $1,000, by which the individual's federal adjusted gross income exceeds $41,000. For a married individual filing a separate return, if the individual's federal adjusted gross income for the taxable year exceeds $20,500, the credit is reduced by 10% for each $500, or fraction of $500, by which the individual's federal adjusted gross income exceeds $20,500.

In addition to the credit described above, Maryland also allows an income tax subtraction modification for qualified child and dependent care expenses of up to $3,000 for one dependent or $6,000 for two or more dependents. Maryland's treatment of dependent care expenses is tied to the federal dependent care credit, in that only expenses allowed in computing the federal dependent care credit are allowed in calculating Maryland's subtraction modification. In addition, amounts contributed to a dependent care spending account are excluded from Maryland taxable income since the starting point for determining Maryland taxable income is federal adjusted gross income (which excludes that amount).

Finally, Maryland taxpayers are allowed to claim an exemption for dependents. For tax year 2004, the amount of the exemption is $2,400.

Background: The Maryland Department of Planning estimates that approximately 40% of Marylanders over age 65 and approximately 17% of Marylanders aged 21-64 years report having a disability. The U.S. Census Bureau reports that nationally about 9 million people of all ages have disabilities so severe that they require personal assistance to carry out everyday activities. The Family Caregiver Alliance estimates that approximately 500,000 Marylanders provide some type of informal care.

Individuals with low to moderate income, women, and individuals aged 55 to 64 are more likely to be caregivers. Caregivers provide, on average, 20 hours or more per week of unpaid care and a total of 5 years of long-term care assistance while children of an individual requiring assistance typically provide nearly 10 years of assistance.

The Maryland Caregivers Support Coordinating Council, established by Chapter 400 and 401 of 2001, coordinates statewide planning, development, and implementation of family caregiver support services. The Council's Survey of Maryland Caregivers 2002 conducted a sample of 629 informal caregivers in the State. Among younger recipients of informal care, developmental disabilities and mental retardation were the most common cause for requiring care while among older recipients of care the most common cause was Alzheimer's or dementia. The majority of care recipients were severely or completely disabled. Approximately 70% of care recipients lived in the caregiver's home. Caregiver income tended to decrease with age, and 50% of all caregivers report that providing long-term care has resulted in moderate or a great deal of financial hardship.

The National Family Caregiver Support Program (established by the Older Americans Act of 2000) targets informal family caregivers for individuals aged 60 and over, as well as grandparents aged 60 and over care for grandchildren. The program provides long-term care information and referral, training and education, and financial assistance with both in-house and out-of-home respite care, and supplemental care services.

According to the Congressional Budget Office (CBO), most functionally impaired seniors who reside in the community, including those who are severely impaired, rely entirely on donated care from friends and family. Many people who do pay for some level of home care rely on some level of informal services as well. CBO estimated that the economic value is significant, but estimates of it are highly uncertain. Replacing the donated long-term care services for seniors with professional care would cost between $50 to $103 billion.

State Expenditures: The bill establishes a grant program for long-term care providers within the Department of Aging. The bill provides that the amount of grants awarded each fiscal year will be as provided in the State budget, but does not require or recommend an amount. It is assumed, however, that general fund expenditures for grants could total $250,000 in fiscal 2008 and beyond to establish a viable program.

Administrative expenditures at the Department of Aging could total $15,900 in fiscal 2007 and $56,657 in fiscal 2008. This reflects a three-month start-up period before the grants would be distributed. This estimate reflects the cost of hiring one program administrator. It includes salary, fringe benefits, and ongoing operating expenses.

	FY 2007	**FY 2008**
Salary and Fringe Benefits	$13,511	$55,506
Operating Expenses	2,415	1,151
Total Expenses	**$15,926**	**$56,657**

Future years reflect: (1) annualization; (2) 4.6% annual increases in salaries and 3% turnover; and (3) 1% annual increases in ongoing operating expenses.

Additional Information

Prior Introductions: Similar bills were introduced in the 2004 and 2005 sessions. HB 358 of 2005 received an unfavorable report from the House Ways and Means Committee. HB 823 of 2004 was not reported from the House Ways and Means Committee.

Cross File: SB 216 (The President, *et al.*) (By Request – Administration) – Budget and Taxation.

Information Source(s): Congressional Budget Office, Comptroller's Office, Maryland Department of Planning, U.S. Census Bureau, U.S. Department of Health and Human Services, U.S. Administration on Aging, Family Caregiver Alliance, Department of Legislative Services

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