This bill alters the existing one-time long-term care insurance income tax credit by allowing the credit to be claimed for every year a policy is in force. For each year a policy is in effect, a taxpayer can claim a maximum credit equal to the lesser of 20% of the eligible long-term care insurance premiums paid or $2,000. A taxpayer may not claim the tax credit if (1) Maryland adjusted gross income is $250,000 or more or (2) the insured individual was covered by a long-term care insurance policy purchased after December 31, 2004. The bill takes effect July 1, 2022, and applies to tax year 2022 and beyond.

Fiscal Summary

State Effect: General fund revenues may decrease beginning in FY 2023 due to additional tax credit claims. Expenditures are not affected.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Bill Summary/Current Law: Chapter 242 of 2000 allows taxpayers to claim a one-time credit against the State income tax for 100%, not to exceed $500, of the eligible premiums paid for long-term care insurance for coverage of the individual or the individual’s spouse, parent, stepparent, child, or stepchild. The credit may not be claimed by more than one taxpayer with respect to the same insured individual and can only be claimed on behalf of a State resident. In addition, the credit may not be claimed with respect to an insured individual if (1) the insured individual was covered by long-term care insurance at any time
before July 1, 2000, or (2) the credit has been claimed by any taxpayer for any individual’s long-term care insurance policy in any prior taxable year. Any unused amount of the credit may not be carried forward to any other tax year.

In general, taxpayers claim the existing one-time credit in the year in which the policy was purchased – tax year 2022 tax credit claims will reflect the policies purchased for the first time within the same calendar year.

The bill eliminates this one-time credit and specifies that a taxpayer may not claim a tax credit if the insured individual was covered by long-term care insurance purchased at any time after December 31, 2004. In addition, the taxpayer claiming the credit must have a Maryland adjusted gross income of less than $250,000 in the tax year in which a credit is claimed. For each year a policy is in effect, a taxpayer who meets these requirements can claim a maximum credit equal to the lesser of 20% of the eligible long-term care insurance premiums paid or $2,000.

**State Revenues:** The bill alters the existing one-time long-term care insurance income tax credit by allowing the credit to be claimed for every year a policy is in force if the Maryland adjusted gross income of the taxpayer claiming the credit is less than $250,000. In addition, the tax credit may not be claimed with respect to an insured individual who was covered by long-term care insurance purchased after December 31, 2004.

As a result, general fund revenues will decrease from tax credits claimed by taxpayers who meet the requirements of the bill. This revenue loss may be partially or fully offset by a reduction in revenue losses from taxpayers who would have qualified under current law but will not qualify under the bill. In recent years, between $3 million and $6 million in tax credits have been claimed in each year.

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**Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** HB 62 (Delegate Stewart) - Ways and Means.

**Information Source(s):** Comptroller’s Office; Department of Legislative Services

**Fiscal Note History:** First Reader - January 17, 2022

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