HB 1185

Department of Legislative Services

Maryland General Assembly
2023 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1185 (Delegate Howard, *et al.*)
Ways and Means

Income Tax - Credit for Long-Term Care Premiums

This bill makes various alterations to the existing, one-time income tax credit for long-term care premiums. Under the bill, the credit may be claimed only with respect to policies purchased after December 31, 2023; however, the credit may be claimed in any taxable year in which the policy is in force. For tax years 2024 and 2025, the maximum value of the credit is $250; for tax year 2026 and beyond, the maximum value of the credit increases to $500. **The bill takes effect July 1, 2023, and applies to tax year 2024 and beyond.**

Fiscal Summary

State Effect: No effect in FY 2024. In FY 2025, general fund revenues increase by $0.9 million, reflecting an estimated net decrease in the amount of credits claimed. In FY 2026, general fund revenues decrease by $0.3 million; future year general fund revenue reductions reflect an increase in the value of the credit and the allowance of the credit for prior-year claimants in successive years. Expenditures are not affected.

($ in millions)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
GF Revenue	$0	$0.9	($0.3)	($4.2)	($6.4)
Expenditure	0	0	0	0	0
Net Effect	$0.0	$0.9	($0.3)	($4.2)	($6.4)

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

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law/Bill Summary: An individual may claim a one-time, nonrefundable credit against the State income tax for eligible long-term care premiums, within the meaning of § 213 of the Internal Revenue Code (medical expense deduction), for a long-term care insurance contract covering the individual or the individual's spouse, parent, stepparent, child, or stepchild. Under current law, the value of the State tax credit is equal to 100% of the eligible long-term care premiums paid by the individual during the taxable year, not to exceed $500. Any unused amount of the credit may not be carried over to any other taxable year.

The State credit may not be claimed by more than one taxpayer with respect to the same insured individual and may be claimed only on behalf of a Maryland resident. Further, under current law, the credit 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; or
- the credit has been claimed with respect to the insured individual by any taxpayer for any prior taxable year.

Exhibit 1 shows a comparison of the value of and eligibility requirements for the long-term care premium credit under current law and under the bill.

Exhibit 1
Long-term Care Premiums Tax Credit: Value and Eligibility Requirements
Current Law vs. the Bill

Under Current Law	Under the Bill
• 100% of eligible long-term care premiums paid, not to exceed $500.	• 100% of eligible premiums paid, not to exceed $250 in tax years 2024 and 2025 and $500 in tax year 2026 and beyond.
• May be claimed only one time with respect to an insured individual.	• May be claimed in any year for which the policy is in force.
• May not be claimed if the insured individual was covered at any time before July 1, 2000.	• May not be claimed if the insured individual was covered at any time before January 1, 2024.

Source: Department of Legislative Services

State Revenues: As discussed above, the bill's changes are estimated to result in a net $0.9 million increase in general fund revenues in fiscal 2025. Beginning in fiscal 2026, however, general fund revenues decrease annually as (1) credits are claimed in successive years by prior-year claimants and (2) the maximum value of the credit returns to $500 for tax year 2026 and beyond. In fiscal 2028, general fund revenues decrease by an estimated $6.4 million; annual revenue losses likely continue to grow beyond fiscal 2028.

The estimate included in this analysis is based on historic claims for the existing long-term care premium tax credit. For context, taxpayers claimed, on average, approximately $1.9 million in credits annually in tax years 2017 through 2021 under the existing long-term care premiums credit.

Additional Information

Prior Introductions: Similar legislation has been introduced within the last three years. See HB 1237 of 2022; HB 1377 of 2021; and SB 786 and HB 1365 of 2020.

Designated Cross File: None.

Information Source(s): Comptroller's Office; Maryland Insurance Administration; Department of Legislative Services

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js/jrb

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