

Department of Legislative Services  
Maryland General Assembly  
2023 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

Senate Bill 137 (Senator Klausmeier)  
Budget and Taxation

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**Income Tax - Credit for Long-Term Care Premiums (Long-Term Care Relief Act of 2023)**

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This bill makes several alterations to the existing, one-time income tax credit for long-term care premiums. Under the bill, the credit may be claimed only if the insured individual was covered by long-term care insurance purchased on or before December 31, 2004; however, the credit may be claimed in any taxable year in which the policy is in force. In addition, the bill (1) disallows the credit for taxpayers with Maryland adjusted gross income of \$250,000 or more and (2) specifies that the maximum value of the credit is equal to the lesser of 20% of the eligible long-term care premiums paid during the taxable year or \$2,000. **The bill takes effect July 1, 2023, and applies to tax year 2023 and beyond.**

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**Fiscal Summary**

**State Effect:** General fund revenues may decrease beginning in FY 2024 due to an increase in the amount of credits claimed against the personal income tax; however, the amount of the decrease cannot be reliably estimated, as discussed below. Expenditures are not affected.

**Local Effect:** None.

**Small Business Effect:** Minimal.

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**Analysis**

**Bill Summary/Current Law:** 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.

“Eligible long-term care premiums,” as defined under § 213 for purposes of the medical expense deduction, are subject to specified inflation-adjusted dollar-amount limits. **Exhibit 1** shows the maximum amounts of eligible long-term care premiums for tax year 2023, as well as the maximum values of the State credit for tax year 2023 under current law and under the bill.

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**Exhibit 1**  
**Eligible Long-term Care Premium Limits and Value of State Long-term Care**  
**Premium Tax Credit Under Current Law and Under the Bill**  
**Tax Year 2023**

<b>Age of Insured Person at Close of Tax Year</b>	<b>Maximum Eligible Long-term Care Premiums</b>	<b><u>Maximum Value of State Credit</u></b>	
		<b><u>Under Current Law</u></b>	<b><u>Under the Bill*</u></b>
Age 40 or younger	\$480	\$480	\$96
Age 41 to 50	890	500	178
Age 51 to 60	1,790	500	358
Age 61 to 70	4,770	500	954
Age 71 or older	5,960	500	1,192

\*As noted above, under the bill, the value of the State credit is equal to the lesser of 20% of eligible long-term care premiums paid during the taxable year or \$2,000. As shown, the \$2,000 cap is not realized for any taxpayers in tax year 2023.

Source: Internal Revenue Service; Department of Legislative Services

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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 2** shows a comparison of the computation of and eligibility requirements for the long-term care premium credit under current law and under the bill.

**Exhibit 2**  
**Long-term Care Premiums Tax Credit: Value and Eligibility Requirements**  
**Current Law vs. the Bill**

<u>Under Current Law</u>	<u>Under the Bill</u>
<ul style="list-style-type: none"> <li>• 100% of eligible long-term care premiums paid, not to exceed \$500.</li> <li>• May be claimed only one time with respect to an insured individual.</li> <li>• May not be claimed if the insured individual was covered at any time before July 1, 2000.</li> <li>• May be claimed by a taxpayer with any Maryland AGI.</li> </ul>	<ul style="list-style-type: none"> <li>• 20% of eligible premiums paid, not to exceed \$2,000.</li> <li>• May be claimed in any year for which the policy is in force.</li> <li>• May not be claimed if the insured individual was covered by a policy purchased after December 31, 2004.</li> <li>• May only be claimed by a taxpayer with Maryland AGI of less than \$250,000.</li> </ul>

AGI: adjusted gross income

Source: Department of Legislative Services

**State Revenues:** Beginning in fiscal 2024, general fund revenues decrease to the extent that the bill results in an increase in the number and value of tax credits claimed. As discussed above, the bill repeals a provision of law that prohibits a taxpayer from claiming the credit with respect to an insured individual if the credit has been previously claimed for the individual. In addition, while the bill’s alterations to the value of the credit effectively reduce the maximum value of credits claimed on behalf of younger individuals, at least in the near term, the bill substantially increases, beginning in tax year 2023, the value of credits claimed on behalf of individuals older than age 60.

The resulting revenue loss is offset to the extent that the bill precludes credits that would have been claimed in the absence of the bill. As noted above, the bill disallows the credit for taxpayers with Maryland adjusted gross income of \$250,000 or more and further disallows credits claimed on behalf of insured individuals covered by long-term care insurance purchased after December 31, 2004.

The bill's net effect on State revenues cannot be reliably estimated, as it is unknown how many taxpayers will be eligible for and claim the credit as altered under the bill. 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 premium credit.

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### **Additional Information**

**Prior Introductions:** Similar legislation has been introduced within the last three years. See SB 58 and HB 62 of 2022.

**Designated Cross File:** HB 160 (Delegate Stewart, *et al.*) - Ways and Means.

**Information Source(s):** Comptroller's Office; Maryland Department of Health; Maryland Insurance Administration; Internal Revenue Service; Department of Legislative Services

**Fiscal Note History:** First Reader - January 23, 2023  
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