

Department of Legislative Services
Maryland General Assembly
2023 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 28
Ways and Means

(Delegate Lehman, *et al.*)

Income Tax – Credit for Caregivers of Senior Family Members

This bill establishes a nonrefundable credit against the State income tax for qualified expenses paid or incurred by a taxpayer during the taxable year in caring for a qualified senior family member who is at least 60 years of age and resides with the taxpayer for at least six months of the taxable year, as specified. The value of the credit may not exceed (1) \$5,000 for qualified expenses paid or incurred for the benefit of one qualified senior family member or (2) \$10,000 for qualified expenses paid or incurred by the taxpayer for the benefit of two or more qualified senior family members. The credit may be claimed in addition to the State dependent care tax credit with respect to the same qualified senior family member. Any unused amount of the credit may not be carried over to any other taxable year. The Comptroller may adopt regulations to implement the credit. **The bill takes effect July 1, 2023, and applies to tax year 2023 and beyond.**

Fiscal Summary

State Effect: General fund revenues decrease significantly beginning in FY 2024 and may decrease by as much as \$250 million annually, as discussed below. General fund expenditures increase by \$58,000 in FY 2024 only, as discussed below.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: In order to claim the credit, the taxpayer must submit with the taxpayer's income tax return proof of the taxpayer's qualified expenses, including a specified letter of

medical necessity. “Qualified expenses” means expenses paid or incurred by the taxpayer during the taxable year for the purchase, lease, or rental of tangible personal property or services acquired for the benefit of a qualified senior family member that are provided by an organization or individual who is not a relative of the taxpayer or qualified senior family member and:

- are necessary to enable the qualified senior family member to stay at the taxpayer’s abode in the State; or
- assist the taxpayer in providing care and support to the qualified senior family member.

Qualified expenses include, for example, home health agency services, adult day care, home modification services, and assistive devices, among other things.

Current Law: State law does not provide for a tax credit for caregivers of senior family members, specifically. However, the State does offer a child and dependent care credit for taxpayers who claim the federal child and dependent care credit and meet specified eligibility requirements. A taxpayer may be eligible to claim the federal credit if the taxpayer paid expenses for the care of one or more qualifying individuals during the taxable year and the expenses were incurred to enable the taxpayer to work or look for employment. A qualifying individual may include a spouse, dependent, or other specified individual who is physically or mentally incapable of self-care and lived with the taxpayer for more than half of the year.

State Revenues: General fund revenues decrease significantly beginning in fiscal 2024 due to credits claimed against the State income tax. While it is unknown how many taxpayers will be eligible for and claim the credit, preliminary estimates by the Comptroller’s Office and the Department of Legislative Services based on socioeconomic data and national caregiving statistics suggest that general fund revenue losses may be as much as \$250 million annually.

State Expenditures: General fund expenditures increase by \$58,000 in fiscal 2024 only for one-time changes to the Comptroller’s tax systems.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Maryland Department of Aging; Comptroller's Office; Maryland Department of Health; National Alliance for Caregiving; American Association of Retired Persons; Department of Legislative Services

Fiscal Note History: First Reader - February 1, 2023
km/jrb

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