SB 155

Department of Legislative Services

Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 155 (Senators Bailey and Klausmeier)
Budget and Taxation

Income Tax - Credit for Long-Term Care Premiums (Long-Term Care Relief Act of 2025)

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 younger than age 85 or with Maryland adjusted gross income (AGI) of $100,000 or more (for joint filers, $200,000 or more) and (2) specifies that the maximum value of the credit is equal to the lesser of 15% of the eligible long-term care premiums paid during the taxable year or $1,500. **The bill takes effect July 1, 2025, and applies to tax year 2025 and beyond.**

Fiscal Summary

State Effect: General fund revenues may decrease beginning in FY 2026 due to an increase in credits claimed against the personal income tax; however, the amount of the decrease cannot be reliably estimated, as discussed below. The Comptroller's Office can implement the bill's changes with existing budgeted resources.

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.

"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 2025, as well as the maximum values of the State credit for tax year 2025 under current law.

Exhibit 1
Eligible Long-term Care Premium Limits and Value of State Long-term Care Premium Tax Credit under Current Law
Tax Year 2025

Age of Insured Person at Close of Tax Year	Maximum Eligible Long-term Care Premiums	Maximum Value of State Tax Credit
Age 40 or younger	$480	$480
Age 41 to 50	900	500
Age 51 to 60	1,800	500
Age 61 to 70	4,810	500
Age 71 or older	6,020	500

Source: Internal Revenue Service; Department of Legislative Services

Under the bill, which limits eligibility for the State tax credit to certain taxpayers age 85 and older, the maximum value of the credit in tax year 2025 is $903.

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 compares 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 Premium 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.	• 15% of eligible premiums paid, not to exceed $1,500.
• 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 by a policy purchased after December 31, 2004.
• May be claimed by a taxpayer of any age with any Maryland AGI.	• May only be claimed by a taxpayer age 85 or older with Maryland AGI of less than $100,000 ($200,000 for joint filers).

AGI: adjusted gross income

Source: Department of Legislative Services

State Revenues: In the near term, the bill potentially results in an increase in the number of tax credits claimed and, thus, a net decrease in general fund revenues beginning in fiscal 2026. As discussed above, while the bill alters the value of the credit and limits eligibility to taxpayers age 85 or older with Maryland AGI of less than $100,000 ($200,000 for joint filers) and policies purchased prior to 2005, 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. However, the bill's precise impact on general fund revenues cannot be reliably estimated, as there is considerable uncertainty regarding the number of taxpayers who will be eligible for and claim the tax credit under the bill's alterations. For context:

- In response to similar legislation introduced during the 2024 session, the Maryland Insurance Administration (MIA) estimated, based on an analysis of sampled rate filings, that about 70,000 to 80,000 Maryland policyholders purchased policies prior to 2005. MIA projected an average premium range of $2,648 to $2,765 for these policies for 2024 – which translates to an average credit amount of $397 to $415 under the bill's credit calculations.
- Taxpayers claimed, on average, approximately $1.8 million in credits annually in tax years 2019 through 2023 under the existing tax credit.
- Of the tax credits claimed under the existing credit in tax years 2010 through 2020, 23% were claimed with respect to an insured person age 40 or younger; 14% with respect to an insured person age 41 to 50; 39% with respect to an insured person age 51 to 64; and 23% with respect to an insured person age 65 or older.

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See SB 86 and HB 218 of 2024; SB 137 and HB 160 of 2023; and SB 58 and HB 62 of 2022.

Designated Cross File: HB 327 (Delegate Stewart) - Ways and Means.

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

Fiscal Note History: First Reader - January 13, 2025
km/jrb

Analysis by: Elizabeth J. Allison

Direct Inquiries to:
(410) 946-5510
(301) 970-5510