



*Keeping You Connected...Expanding Your Potential...  
In Senior Care and Services*

TO: The Honorable Anne R. Kaiser, Chair  
Members, House Ways and Means Committee  
The Honorable Eric G. Luedtke

FROM: Danna L. Kauffman  
Pamela Metz Kasemeyer  
Richard A. Tabuteau

DATE: March 2, 2020

RE: **OPPOSE** – House Bill 1628 – *Sales and Use Tax – Rate Reduction and Services*

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On behalf of the LifeSpan Network, the largest and most diverse senior care provider association in Maryland representing nursing facilities, assisted living providers, continuing care retirement communities, medical adult day care centers, senior housing communities and other home and community based services, we **respectfully oppose** House Bill 1628. House Bill 1628 imposes the State sales and use tax on all services, except for specified services, by expanding the definition of taxable service. Our opposition is grounded in two concerns: 1) the application of the designation under NAIC Section 62; and 2) the cost that the inclusion of services could have on senior care provider members, especially those that care for Medicaid recipients.

**Application of NAIC Section 62:** LifeSpan understands that many of our members would be exempted from having to charge individuals a service tax due to the exclusion of NAIC Section 62, such as nursing facilities, continuing care retirement communities, assisted living communities and others. However, there is concern that the State could require the service tax to be imposed by “look-alike” properties that, while resembling a continuing care retirement community, offer services that may not clearly fit the definition. These communities are often referred to as “continuums,” and may include an assisted living program, a special Alzheimer’s care program and independent living options where residents have their own rental apartment and receive various services including two meals a day, housekeeping, linen service, transportation and community-sponsored activities. Unlike a continuing care retirement community, the residents only pay a monthly fee and not an entrance fee. The benefit of this continuum model is that residents can move to a higher level of care, when needed, without incurring the large entrance fee often required by continuing care retirement communities.

While LifeSpan believes that this model would fit under Section 62, because it is not a clear category under Section 62, LifeSpan is concerned that this model could be subject to the service tax. If so, it would negatively impact those residents benefitting from it and would thwart the development of these models given the competitive disadvantage they would have compared to

the more traditional continuing care retirement community model. Therefore, if the State were to move forward on House Bill 1628, LifeSpan would request that the bill be modified to clearly extend to these models. Lastly, under the continuum model, it is unclear how the service tax could be collected given that services are often bundled without a breakdown of individual service cost. Therefore, there would still need to be clear guidance on how bundled services would need to be handled. This is true not only for the continuum model but for all communities that offer bundled services.

**Inclusion of Service Tax on Senior Care Providers:** Over the last two years, senior care providers have needed to absorb the increased costs associated with minimum wage and paid sick leave along with other increases in routine operating costs. Despite increases in Medicaid rate reimbursement, this has been especially difficult for those providers who care for Medicaid recipients. While these providers may be excluded for charging the service tax, they are not immune from paying it, which increases their costs. For those seniors who privately pay for services, an increase in operating costs will translate to increased costs which will make it more difficult to find affordable senior care housing options.

Therefore, for the above reasons, LifeSpan urges an unfavorable vote on House Bill 1628.

**For more information call:**

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