MaCCRA Testimony 2023 - Support - Senate Bill 137

Uploaded by: Bruce Hartung

Position: FAV

Maryland Continuing Care Residents Association
Protecting the Future of Continuing Care Residents
The Voice of Continuing Care Residents at Annapolis

SUBJECT:	Senate Bill 137 - Income Tax – Credit for Long–Term Care Premiums (Long–Term Care Relief Act of 2023)
COMMITTEES:	Senate Budget & Taxation Committee The Honorable Guy Guzzone, Chair
DATE:	Tuesday, January 25, 2023
POSITION:	**FAVORABLE**

The **Maryland Continuing Care Residents Association (MaCCRA)** is a not-for-profit organization representing the residents in continuing care retirement communities (CCRCs). Maryland has over 18,000 older adults living in CCRCs. The principal purpose of MaCCRA is to protect and enhance the rights and financial security of current and future residents while maintaining the viability of the providers whose interests are frequently the same as their residents. MaCCRA SUPPORTS efforts to:

- Enhance: Transparency, Accountability, Financial Security; and
- Preserve existing protections in law and regulation for current and future CCRC residents statewide.

On behalf of the Maryland Continuing Care Residents Association, we support Senate Bill 137. As drafted, SB137 *"*alters eligibility for and the maximum amount of a credit against the State income tax for certain long–term care insurance premiums paid by a certain taxpayer with a Maryland adjusted gross income of less than $250,000."

Continuing Care Retirement Communities typically operate a complex or campus where residents start in independent living and move to other levels of care as needed. CCRCs have assisted living, typically a memory-care unit, and skilled nursing if their health and mobility decline. CCRCs are classified into three types:

- Type A ("extensive contracts" including long-term care at no monthly fee increase in cost)
- Type B ("modified contracts", including a limited amount of long-term care services at no monthly fee increase)
- Type C ("fee-for-service"; they charge much higher monthly fees to someone who moves to long term care (i.e. into the community's assisted living or comprehensive nursing care facilities).

Many CCRC residents, particularly those that live in Type C facilities maintain LTC insurance. It is an important tool that allows residents to afford their accommodations and cover the care that is needed as they age in place.**We support efforts to increase the income tax credit for LTC insurance for seniors relying on the coverage and who often live on a fixed income.**

For these reasons we support Senate Bill 137 and ask for a favorable report.

For further information please contact: Bruce Hartung, President
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SB0137 Credit for LT Care Premiumns.pdf

Uploaded by: Cecilia Plante
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MARYLAND LEGISLATIVE COALITION

TESTIMONY FOR SB0137
INCOME TAX – CREDIT FOR LONG-TERM CARE PREMIUMS (LONG-TERM CARE RELIEF ACT OF 2022)

Bill Sponsor: Senator Klausmeier
Committee: Budget and Tax
Organization Submitting: Maryland Legislative Coalition
Person Submitting: Cecilia Plante, co-chair
Position: FAVORABLE

I am submitting this testimony in favor of SB0137 on behalf of the Maryland Legislative Coalition. The Maryland Legislative Coalition is an association of activists - individuals and grassroots groups in every district in the state. We are unpaid citizen lobbyists and our Coalition supports well over 30,000 members.

Why would any company increase the premium for long-term care for a person who is over 85? Either the company does not understand the market forces that drive long-term care insurance, and shouldn't be in that market, or there is an unconscionable amount of greed involved.

Our members believe that you should not have to legislate this level of common decency, but the facts are that long-term care providers are forcing some seniors into bankruptcy over their premium increases while giving out bonuses to their management or dividends to their investors. We also believe that seniors should get some assistance in paying for these premium increases and a tax credit is not only warranted, but long overdue.

We support this bill and recommend a **FAVORABLE** report in committee.

SB 137 LTCTestimony Ltrhead Final PKS 012523.pdf
Uploaded by: Paul Schwartz
Position: FAV

Statement of the Maryland Federation of National Active and Retired Federal Employees – State Legislative Committee

Senate Bill 137

Income Tax – Credit for Long Term Care Premiums

(Long Term Care Relief Act of 2023)

Good Afternoon, Chairwoman Atterbeary and Members of the Ways and Means Committee. My name is Paul Schwartz and I am the Chair of the State Legislative Committee (SLC) of the Maryland Federation of NARFE, the National Active and Retired Federal Employees Association. The mission of NARFE is to promote the general welfare of current and potential Federal annuitants by advising them with respect to their rights under retirement laws and regulations. We represent approximately 300,000 Federal employees and annuitants living in Maryland.

For many years, the NARFE SLC has advocated for legislation in Maryland which would foster the purchase of long term care (LTC) insurance by Maryland consumers. With this bill, we see the opportunity to help older LTC policy holders by offering substantial annual relief for their ever increasing annual premiums. For the benefit of all Maryland taxpayers, NARFE supports Senate Bill 137, Income Tax – Credit for Long Term Care Insurance (Long Term Care Relief Act of 2022).

What SB 137 Will Do

Under current Maryland law, a taxpayer can take a one-time only credit against the State income tax for 100% of your eligible LTC insurance premiums to a maximum of $500. SB 137 will allow eligible taxpayers to take an annual credit which will be the smaller amount of either 20% of his or her annual premium or $2000. This is a significant increase in the LTC tax credit compared to the tax credits offered by the numerous previous unsuccessful bills introduced in the Assembly over the years. To be eligible for this new tax credit, the taxpayer must have a MD Adjusted Gross Income of under $250,000, and the taxpayer must have purchased the LTC policy before January 1, 2005. This date would cover many policies purchased during the early days of this insurance (beginning in the 1980's), when companies often underpriced policies to pocket premium income. When the LTC insurers found the cost of providing benefits far exceeded the premium income, they raised premiums astronomically and many retirees ended up priced out of their own policies.[i] Even the Federal version of LTC insurance – called the Federal Long Term Care Life Insurance Program -- over the last ten years had existent policy average increases of 83%.[ii] SB 137 thus offers some real relief to the taxpayers who bought an underpriced policy early and then saw large premium increases in recent years.

LTC Insurance Tax Credits under Federal and Maryland Law

It is helpful to look at the tax credits possible under SB 137 in the context of current LTC tax credit legislation. Tax credits for LTC insurance have been in place since 1996 for Federal tax returns. Federal law treats LTC premiums as deductible unreimbursed medical expenses, but only if an individual's unreimbursed medical expenses exceed 10% of the individual's Federal adjusted gross income. LTC premiums may also qualify for pretax reimbursement plans such as Health Savings Accounts.

In Maryland, since 2000 Maryland law has provided for the one-time $500 tax credit described above for taxpayers. In addition, since 1998, any employer, including organizations exempt from taxation under §501(c)(3) or (4) of the Internal Revenue Code, that provides long-term care insurance as part of an employee benefit package may claim a credit for costs incurred during the taxable year. The credit may be taken against corporate income tax, personal income tax, insurance premiums tax or public service company franchise tax. The same credit may not, however, be applied to more than one tax type.

Sole proprietorships, corporations and pass-through entities, such as partnerships, subchapter S corporations, limited liability companies and business trusts may claim the tax credit. The credit allowed is 5% of the employer's cost which may not exceed the lesser of $5,000, or $100 for each employee in the State covered by long-term care insurance provided under the employee benefits package. If the credit is more than the tax liability, the unused credit may be carried forward for the next five (5) tax years.

Thus, the robust tax credits which SB 137 would provide will offer significant help to older LTC insurance holders compared to the status quo of Federal and Maryland law.

The Importance of LTC Insurance

As noted above, SB 137 will help older taxpayers who bought LTC policies in the early days keep their policies, which is important because of the likelihood they will need LTC. As all members of this Committee are well aware, statistics show that Maryland faces an aging population of Baby Boomers – by 2030, 25% of Maryland residents will be 60 years old or older. Figures from the Federal Department of Health and Human Services show that over ½ of all persons 65 years old and older will need substantial amounts of Long Term Care at some point in their lives, and about 15% of these seniors will need 5 or more years of Long Term Care. The costs of Long Term Care are high -- ranging from around $50,000 a year for home health aides to well over $100,000 for nursing home care.

If a Maryland taxpayer who has a longstanding LTC policy is faced with exorbitant premium increases, he or she may consider letting the policy lapse and taking their chances with Medicare or Medicaid, believing these will help – but they will be disappointed. Medicare's coverage of nursing home care is quite limited. Medicare covers only up to 100 days of "skilled nursing care" per illness. To qualify, you must enter a Medicare-approved "skilled nursing facility" or nursing home within 30 days of a hospital stay that lasted at least three days. The care in the nursing home must be for the same condition as the hospital stay.

Regarding Medicaid, middle class families generally cannot qualify. Medicaid helps needy individuals pay for long-term care, but you do not need to be completely destitute to qualify. While in general a Medicaid applicant can have no more than $2,000 in assets in order to qualify, this figure is higher in some states and there are many assets that don't count toward this limit. For example, the applicant's home will not be considered a countable asset for eligibility purposes to the extent the equity in the home is less than $585,000, with the states having the option of raising this limit to $878,000 (in 2019). In all states, the house may be kept with no equity limit if the Medicaid applicant's spouse or another dependent relative lives there. In addition the spouse of a nursing home resident may keep one half of the couple's joint assets up to $126,420 (in 2019). But other assets may be subject to what is called a Medicaid spend-down which can be quite complicated and usually needs the work of an experienced attorney to accomplish.

In light of all this, long term care insurance can be a good choice. We suggest that the new continuing and larger tax credit provided under SB 137 will allow many taxpayers to keep their LTC insurance when the alternative would be dropping an unaffordable policy, and having to rely on Medicare or Medicaid coverage, the latter of which would significantly increase state spending.

In preparing my statement, I looked on the Maryland General Assembly website at all of the hearings on the site on the prior versions of this bill – and there were quite a few as many of you know. In some earlier years, the LTC tax credit bills had numerous sponsors and bipartisan support, yet failed to make it out of committee. The Fiscal Notes for these earlier bills of course showed a decrease in revenue from expected use of the tax credit, but the Notes would ignore and never discuss the potential savings in state Medicaid spending from people using LTC insurance instead of Medicaid. The Fiscal Note for this SB 137 is no different.

I hope you will see this bill as a win-win for both taxpayers and the state and give a favorable report for SB 137.

Thank you.

Paul K. Schwartz

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[i] See, e.g., "Why a 41-Year Old Bought Long Term Care Insurance", by Jeff D. Opdyke, at https://www.rate.com/research/news/long-term-care-insurance

[ii] See "The Premium Stabilization Feature of the FLTCIP, by Benefits Ben", February 19, 2021, at https://stwserve.com/premium-stabilization-feature-fltcip/

SB 137 Long Term Care Insurance.pdf
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SB 137 Income Tax - Credit for Long-Term Care Premiums (Long-Term Care Relief Act of 2022)
FAVORABLE
Senate Budget and Taxation Committee
January 25, 2023

Good afternoon Chair Guzzone and members of the Senate Budget and Taxation Committee. I am Tammy Bresnahan Director of Advocacy for AARP MD. AARP MD and members support SB 137. AARP MD thanks Senator Klausmeier for sponsoring this important legislation.

AARP is a nonpartisan, nonprofit, nationwide organization that helps people turn their goals and dreams into real possibilities, strengthens communities and fights for the issues that matter most to families such as healthcare, employment and income security, retirement planning, affordable utilities and protection from financial abuse.

SB 137 defines a taxpayer with a Maryland adjustable gross income of less than $250,000.00 is claimed. The credit allowed each insured individual may not exceed the lesser of 20 percent of the eligible long-term care premiums paid during the taxable year or $2000 many nob in the taxable year or which a credit existing one-time long-term care insurance income tax credit by allowing the credit to be claimed for every year a policy is in force. The bill takes effect December 31, 2022 and applies to tax year 2022 and beyond.

A single illness can slam a retiree with exorbitant bills. Nursing home care is among the biggest potential budget busters in retirement. That's why getting insurance to cover a chunk of the costs for in-home care, an assisted living facility or a private room in a nursing home is a personal finance move to consider. Many Long-Term Care Insurance (LTCI) policies cover a range of services in several settings, including homes, adult day service centers, assisted living, and nursing facilities. Many older people who do not have LTCI often look to Medicaid for coverage for nursing home stay—costing the state thousands of dollars. For those who pay for LTCI, an income tax credit should be provided for the purchase of that insurance.

AARP MD thanks the Senate Budget and Taxation Committee for allowing us to testify on SB 137. We respectfully ask the Committee for a Favorable report. If you have any questions, please feel free to contact me at tbresnahan@aarp.org. or by calling 410-302-8451.

SB137LTC.TaxCredit.23.pdf
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Maryland Retired School Personnel Association

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Senate Bill SB 0137
In Support Of
Income Tax - Credit for Long-Term Care Premiums
(Long-Term Care) Relief Act of 2023
Senate Budget and Taxation Committee
Hearing: January 25, 2023 – 2:00 p.m.

Dear Honorable Senator Guy Guzzone, Chair, and Honorable Senator Jim Rosapepe, Vice Chair, and other distinguished Budget and Taxation Committee members,

The Maryland Retired School Personnel Association (MRSPA) supports and requests a favorable report for SB0137 Income Tax – Credit for Long-Term Care Premiums (Long-Term Care) Relief Act 2023.

Many senior Maryland taxpayers are concerned about their well being in their later life and have taken on an additional financial commitment by purchasing a Long-Term Care insurance policy. This purchase is in the hopes of not having a total financial collapse in their later years or creating a burden for their children or the state or federal government. As we are all aware, the cost of these policies has escalated tremendously in recent years and continues to escalate far beyond the rate of inflation. This increase in premium is forcing many seniors to either drop their policies entirely or to decrease the amount they receive in benefits even as they pay higher premiums. The legislature could help Marylander's keep their long-term care insurance policies and decrease costs incurred by the state and federal government when someone enters a facility on Medicaid by invoking the small tax credit outlined in this legislation. The return on investment for the state and federal governments would be substantial while showing support for Maryland seniors who took the initiative and spent a great deal of money to provide for their own care in their later years. Enacting this legislation would help seniors maintain a better quality of life.

On behalf of the over 12,000 members of The Maryland Retired School Personnel Association, we urge your support of this helpful and important bill. Maryland seniors have struggled and waited long enough. Let's make 2023 the year this passes!

Sincerely,

Carla J. Duls

Carla J. Duls
President

Virginia G. Crespo

Virginia G. Crespo
Legislative Aide

SB 137 Written Testimony (002).pdf
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To: Senate Budget and Taxation Committee

From: The Maryland Society of Accounting and Tax Professionals, Inc.

Re: SB 137 Sponsor: Senator Katherine Klausmeier

Contact Person: Giavante Hawkins, Executive Director

Position: FOR

Income Tax - Credit for Long-Term Care Premiums

(Long-Term Care Relief Act of 2023)

IN FAVOR with amendments

The Maryland Society of Accounting and Tax Professionals, Inc. (MSATP), representing the voices of over 2,000 tax and accounting professional members, supports this bill with amendments. As tax and accounting professionals serving over 700,000 Maryland residents, we are acutely aware of the extremely high cost of long-term care in Maryland.

We see some clients rip through a substantial nest egg. Some even become wards of the State. According to SeniorLiving.org 2023, nursing home costs in Maryland will average $10,342 per month for a semiprivate room. According to simplyinsurance.com, the average annual cost of long-term care insurance for a 55-year-old in Maryland is $3,228. An August 2022 Forbes article cites US DHHS statistics that nearly 70% of 65-year-olds will need some form of long-term care in their lifetime for a length of time averaging 3 years. A survey cited by Forbes indicates only 10% of people have long-term care insurance.

This is potentially a great piece of legislation. However, we recommend deleting section (c)(3) that states:

> "may not be claimed with respect to an insured individual if the insured individual was covered by long-term care insurance PURCHASED at any time AFTER DECEMBER 31,2004.

The bill as proposed only helps a small percentage of the population (based on the above-referenced Forbes survey) that may have purchased insurance prior to 12/31/2004. We suggest that the bill should focus on the majority of the population that does not have LTC insurance. Based on the statistics above, the aging will be an increased drain on the annual budget. KFF.org indicates Maryland spent $3.1 Billion of its $56.4 Billion 2021 budget on long term care and another $6.2 Billion on Managed Care and health plans.

The tax revenue initially "lost" by the State on the front end by providing the annual tax credit should be recouped and then some on the back end by insurance companies picking up more of the cost of long-term care services instead of the State of Maryland.

Therefore, we urge a Favorable Report on SB137 as amended.