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NAIFA
MARYLAND

Senate Bill 155

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

Senate Budget & Taxation Committee

Position: Favorable

Dear Chairman Guzzone, Vice Chair Rosapepe and Members of the Senate Budget & Taxation Committee,

NAIFA-MD ("The National Association of Insurance and Financial Advisors – Maryland Chapter") appreciates the opportunity to submit written testimony on Senate Bill 155. NAIFA-MD is made up of insurance agents and advisors, financial advisors and financial planners, investment advisors, broker/dealers, multiline agents, health insurance and employee benefits specialists, and more. We are the closest to the consumer and provide products, services, and guidance that increase financial literacy in our society, protect their clients against life's inherent risks, help hard-working Americans prepare for retirement, and create financial security and prosperity so their clients can leave a legacy for future generations.

NAIFA-MD supports this legislation as it provides more assistance for individuals who have purchased these very important long-term care policies. Anything that helps people with this vital coverage is a good thing. We hope that the changes made to last year's legislation allow for some relief to people who have done the responsible thing by purchasing such coverage.

Sincerely,
Brett Lininger
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SenatorBailey_FAV_SB155.pdf
Uploaded by: Jack Bailey
Position: FAV

JACK BAILEY
Legislative District 29
Calvert and St. Mary's Counties

Budget & Taxation Committee

THE SENATE OF MARYLAND
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January 15, 2025

Senate Bill 155 – Income Tax - Credit for Long-Term Care Premiums (Long-Term Care Relief Act of 2025)

Dear Chair Guzzone and Members of the Committee,

I am writing to introduce Senate Bill 155, the Long–Term Care Relief Act of 2025, which makes alterations to the State's existing tax credit for long-term care premiums.

Under current law, a Maryland taxpayer is eligible for a one-time credit, not to exceed $500, towards eligible long-term care premiums. This legislation is intended to make this program more targeted to provide greater support to those seniors who need it. Senate Bill 155 will increase the maximum value of the credit to the lesser of 15% of the eligible long-term care premiums paid during the taxable year or $1,500. This legislation will also allow an eligible taxpayer to claim this credit each year, rather than only once.

I would support providing this enhanced credit to all Maryland taxpayers who purchase this long-term care insurance. However, in recognition of the fiscal realities that our State faces, this bill limits eligibility for this enhanced credit to taxpayers aged 85 or older, who purchased their policy on or before December 31, 2004, and who have a Maryland adjusted gross income of less than $100,000 for individual taxpayers, or less than $200,000 for joint filers. This narrow criteria for eligibility will ensure that this relief is targeted to those seniors who need it the most.

Marylanders who purchase this insurance help our State by ensuring that they will not ultimately require the support of programs such as Medicaid at a far greater budgetary cost. A one-time tax credit does not seem to be a strong enough incentive to keep a policy that is paid into over many years. We should be encouraging our seniors, particularly those who have continued paying into these policies for decades despite the rising cost of premiums, to retain their coverage. I believe that these alterations to this tax credit will support those Maryland seniors who have chosen to ensure that their long-term care needs are provided for.

I respectfully request a favorable report on Senate Bill 155. Thank you for your consideration.

Sincerely,

Senator Jack Bailey

SB155_AARP_FAV.pdf
Uploaded by: Karen Kalla
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SB155 Income Tax - Credit for Long-Term Care Premiums
(Long-Term Care Relief Act of 2025)
FAVORABLE
Budget and Taxation Committee
January 15, 2025

Good afternoon, Chair Guzzone and members of the Senate Budget and Taxation Committee. I am Karen Kalla, AARP Maryland volunteer legislative aide and resident of Montgomery County. AARP Maryland and its members support SB99 Income Tax – Credit for Long-Term Care Premiums. We thank Senators Bailey and 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.

SB155 defines a taxpayer as an individual who is at least 85 years old with a Maryland adjustable gross income of less than $100,000 for an individual/$200,000 filing jointly, in the taxable year in which the credit is claimed. Subject to the limitations of the bill, a taxpayer may claim a credit against the State income tax in an amount equal to 100% of the eligible long-term care premiums paid by the taxpayer during the taxable year for long-term care insurance covering the taxpayer or the taxpayer's spouse, parent, stepparent, child, or stepchild. The credit allowed to each insured individual may not exceed the lesser of 15 % of the eligible long-term care premiums paid during the taxable year or $1500 and cannot be claimed by more than one taxpayer with respect to the same insured individual. SB155 also requires annual reports to the Governor analyzing the use and cost benefits to the State of Long-Term Care Insurance. The bill would take effect July 1, 2025, and applies to tax years beginning December 31, 2024, and beyond.

A single illness can overwhelm a retiree with exorbitant bills. Assisted living and nursing home care are among the biggest potential budget breakers in retirement. That is why getting insurance to cover a portion of the costs for in-home care, an assisted living facility or a private room in a nursing home is an important 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 the State and Federal governments for resources to help cover their long-term care needs—costing the State thousands of dollars per individual. The State tax credits proposed in SB155 would provide additional incentive for individuals to purchase Long-term Care Insurance policies that benefit both the taxpayer and the State. For those who pay for LTCI, a State income tax credit should be granted for the purchase of that insurance in recognition of the offsets to State funding that they provide.

For these reasons, AARP Maryland respectfully asks the Committee for a Favorable report on SB155. Please contact Tammy Bresnahan at tbresnahan@aarp.org. or by calling 410-302-8451 with any questions.

SB 155 Testimony 2025.pdf
Uploaded by: Paul Schwartz
Position: FAV

Statement of the Maryland Federation of National Active and Retired Federal Employees – State Legislative Committee
Senate Bill 155
Income Tax – Credit for Long Term Care Premiums

My name is Paul Schwartz and I am NARFE's Region II Vice President (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 317,000 Federal employees and annuitants living in Maryland.

For many years, the NARFE 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 155, Income Tax – Credit for Long Term Care Insurance.

What SB 155 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 155 will allow eligible taxpayers to take an annual credit to a maximum of $250 for a taxable year beginning after December

31, 2024, but before January 1, 2027, and a maximum of $500 for a taxable year beginning after December 31, 2026; applying the Act to taxable years beginning after December 31, 2024 and so on.

LTC Insurance Tax Credits under Federal and Maryland Law

It is helpful to look at the tax credits possible under HB 1344 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 HB 1344 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 155 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 HB 1344 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 HB 1344 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 155.

Thank you.

Paul Schwartz

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Maryland Retired School Personnel Association

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Senate Bill 155
In Support With An Amendment
Income Tax – Credit for Long-Term Care Premiums (Long-Term Care Act of 2025)
Senate Budget and Taxation Committee
Hearing: January 18, 2024 - 12:00 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 SB 155 Income Tax – Credit for Long-Term Care Premiums with an amendment (Long-Term Care Relief Act of 2025).

MRSPA supports SB 155 with an amendment. Long-Term Care insurance is a responsible insurance for our members to have, but as the premiums continue to go higher and higher, it becomes more and more difficult to maintain. We do not want to lose our retired citizens to states that are more tax friendly. These citizens are valuable citizens and spend money and help our overall economy. However, by the addition of the age of 85 in the meaning of the word "taxpayer", you are excluding a significant portion of the long-term care population with or without public pensions.
Retired people of all ages who possess long-term care deserve the same benefits, especially since many of them are on fixed incomes. We would like to see the age requirement for these taxpayers eliminated.

A positive outcome on SB 155 would help Marylanders remain in the state and would help increase their spending power. It would also save the state money because more people could keep their long-term care insurance which would prevent some people from having to access Medicaid benefits to pay for needed care. Because there are retirees in every jurisdiction in the state, this would help the overall state economy.

On behalf of the 12,000 members of The Maryland Retired School Personnel Association, we urge your support with the amendment to Senate Bill 155.

Sincerely,

Carla J. Duls   Virginia G. Crespo

Carla J. Duls
President

Virginia G. Crespo
Legislative Aide

Senate Bill 155 Final Testimony.pdf
Uploaded by: Giavante Hawkins
Position: UNF

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January 13, 2025

Honorable Members of the Senate Budget and Taxation Committee
Maryland General Assembly
11 Bladen Street
Annapolis, MD 21401

RE: Senate Bill 155 - Income Tax Credit for Long-Term Care Premiums (Long-Term Care Relief Act of 2025)

Dear Chair and Members of the Committee:

The Maryland Society of Accounting and Tax Professionals, Inc. (MSATP) represents the voices of over 2,000 tax and accounting professional members. Our members, who are tax and accounting professionals, serve over 700,000 Maryland residents. We must respectfully oppose Senate Bill 155, despite its well-intentioned goal of supporting elderly Marylanders with long-term care insurance costs.

While we recognize the importance of encouraging long-term care coverage, this legislation raises significant concerns about tax policy equity and administrative complexity. The age requirement of 85 years creates an arbitrary threshold that excludes many seniors who could benefit from assistance with long-term care premiums during their retirement planning years. The proposed increase from $500 to up to $1,500 per insured individual represents a substantial fiscal impact without clear evidence of effectiveness in increasing long-term care coverage rates.

The income limitations, while well-intentioned, may create unintended consequences by discouraging middle-income seniors from maintaining long-term care coverage as they approach the threshold limits. Additionally, the restriction regarding coverage purchased after December 31, 2004, creates unnecessary complexity in verification and documentation requirements for tax preparers and could lead to confusion among taxpayers.

From an administrative perspective, our members anticipate significant challenges in verifying eligibility criteria, particularly regarding the age requirement and insurance purchase dates. The interaction of this enhanced credit with existing federal tax treatment of long-term care premiums adds another layer of complexity to tax preparation and planning.

A more effective approach might include broader reform of long-term care financing or direct premium assistance programs rather than using the tax code to address this important issue. For these reasons, we urge an unfavorable report on Senate Bill 155 and recommend exploring alternative approaches to supporting long-term care coverage for Maryland's seniors.

Respectfully submitted,

Giavante' Hawkins

Giavante' Hawkins
Maryland Society of Accounting and Tax Professionals