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**MARYLAND FEDERATION**

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**Statement of the Maryland Federation of National Active and Retired Federal Employees**

**Before the House Ways & Means Committee, March 5, 2026**

**On House Bill 1437,**

**Income Tax – Credit for Long Term Care Premiums**

Good Afternoon, Chair Wilkins and Vice Chair Feldmark, and Members of the Ways and Means Committee. My name is Robert Doyle and I am the Chair of the State Legislative Committee 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 317,000 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. For the benefit of all Maryland taxpayers, NARFE supports HB 1437, Income Tax – Credit for Long Term Care Insurance. We appreciate the efforts of Delegate Seth Howard who has introduced LTC premiums tax credit legislation for several years.

### **What HB 1437 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. HB 1437 will allow LTC insurance holders to take an annual tax credit of \$250 on an annual basis for as long as the holder keeps the policy. This will be effective prospectively – it will apply only to LTC policies purchased after December 31, 2026. Additionally, the credit will be available only to purchasers age 45 or older. Although LTC insurance can be purchased by anyone at any age, generally LTC will cost less when you are younger. HB 1437 is expressly designed to not only encourage Maryland taxpayers to obtain LTC insurance earlier in life when the cost is lower, but also to retain the insurance by having a continuing annual tax credit.

### **LTC Insurance Tax Credits under Federal and Maryland Law**

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.

### **The Importance of LTC Insurance**

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.

From 2015 to 2030, Maryland's 60-plus age population is expected to increase by 40%, from 1.2 million to 1.7 million older adults.

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 senior 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. By 2030, the annual median costs of LTC care in Maryland will range between \$72,000 and \$166,000 depending on the services needed.<sup>1</sup>

So Maryland taxpayers are faced with the question of how to prepare for the event that they will need long term care, and they may think that Medicare or Medicaid will help. This is generally not the case. 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.

Medicaid may also come into play. Medicaid is the largest public program that pays for LTC services. Eligibility for Medicaid benefits is income-tested. For example, if an individual's income and assets exceed Medicaid's financial eligibility threshold, the individual would need to pay for their LTC supports with their own income and assets. Elderly individuals who are on

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<sup>1</sup> Overview of Services for Older Adults – Long Term Care Discussion, MD General Assembly – Department of Legislative Services. 2022.

Medicare and have low incomes below Medicaid's financial eligibility threshold or who meet disability-related functional criteria and spend down their assets and income to meet financial eligibility criteria may qualify. For example, an individual in a nursing home who has income that would not normally qualify them for Medicaid but whose cost of care outstrips that income may qualify for assistance.

Maryland's Medicaid costs are above the national average and Medicaid expenditures currently constitute a quarter of our state's budget. A large portion of Maryland's Medicaid funds pay for treatment and cognitive care for an aging population. Many who will require this care believe that Medicaid will fully pay for their long-term care needs, and so are seriously under-estimating their future needs.

In light of all this, long term care insurance can be a good choice. We suggest that the new continuing tax credit can be a good incentive for taxpayers considering whether and when to buy LTC insurance. The passage and enactment of this bill will be a good complement to the work of the 2018 Governor's Task Force on Long Term Care Education and Planning. The Task Force made recommendations to improve efforts to educate Marylanders about planning for Long Term Care with the goal that "no Maryland resident turns 50 years old without receiving complete information about the risk of needing Long Term Care and the private options available to pay for long term care..." Additionally, in 2021, the General Assembly passed bills entitled "Public Health – Long Term Care Planning," which required the MD Department of Health to develop and publish materials to assist MD residents with LTC planning, consistent with the Task Force recommendations.

To complement efforts such as these, we hope Maryland residents will be to read and learn about the new continuing annual \$500 LTC insurance tax credit which I hope you will pass.

This bill from Delegate Howard on LTC tax credits is not original this year and in fact has been introduced for several years. Other LTC tax credit bills have been introduced going back many years. In some earlier years, this bill had dozens of sponsors – 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 it would ignore and never discuss the potential savings in state Medicaid spending from people using LTC insurance instead of Medicaid. The Fiscal Note for HB 1437 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 HB 1437.

Thank you.

Robert M. Doyle, Chair  
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