COMPTROLLER of MARYLAND
Serving the People

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Comptroller

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12/1/2017

Honorable Larry Hogan
Governor of Maryland
State House
Annapolis, Maryland 21401

Honorable Thomas V. "Mike" Miller, Jr.
President, Senate of Maryland
State House
Annapolis, Maryland 21401

Honorable Michael E. Busch
Speaker, Maryland House of Delegates
State House
Annapolis, Maryland 21401

Dear Governor, President and Speaker:

Tax-General Article 10-718 requires the Comptroller's Office to report to you certain information about the income tax credit for long-term care insurance premiums paid by taxpayers to insure qualifying individuals. This report covers credits claimed for tax year 2016. Specifically, the law requires that we report:

(1) The number of individuals who have claimed the credit, the amount allowed as credits, and the additional number of individuals covered by long-term care insurance as a result of the credit; and
(2) The savings under the State's medical assistance program as a result of additional individuals being covered by long-term care insurance as a result of the credit.

This report provides actual data from the returns of taxpayers who claimed the Maryland long-term care insurance tax credit for tax year 2016. A total of $2.2 million was claimed for 5,032 covered individuals on the returns filed by 4,097 taxpayers. It remains true that little if any savings to the State are likely at this point. The attached report provides additional details about these credits.

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I hope you will find the report informative. If you have any questions, please contact me at 410-260-7450.

Sincerely,

Andrew M. Schaufele

EFFECT OF MARYLAND'S CREDIT FOR LONG-TERM CARE INSURANCE PREMIUMS

A credit against the personal income tax for long term care insurance premiums was created by Chapter 242 of the Acts of 2000. In addition, the law mandated that the Comptroller report to the General Assembly the following information:

(1) The number of individuals who have claimed the credit, the amount allowed as credits, and the additional number of individuals covered by long-term care insurance as a result of the credit; and
(2) The savings under the State's medical assistance program as a result of additional individuals being covered by long-term care insurance as a result of the credit.

The credit is allowed for no more than $500 of the eligible long-term care insurance premiums – as defined under § 213(d)(10) of the Internal Revenue Code – paid on behalf of each covered individual during the tax year. Under this section, premiums are limited to certain amounts based on the age of the insured and are adjusted annually for inflation based on the medical care cost component of the Consumer Price Index. The maximum credit for those 40 or under was increased to $390 beginning in tax year 2016, and since eligible premiums for all other age groups exceed $500, the maximum credit for everyone over age 40 was $500. The credit is available not only for premiums paid for the taxpayer and the taxpayer's spouse, but also for those paid for a parent or stepparent, child or grandchild.

Table 1 below shows summary data related to the credit. For tax year 2016, 495 fewer credits were claimed for $202,974 less in credit than in 2015.

Table 1
Summary of Credit Data

	TY 2016	TY 2015	Difference
Returns with One or More Credit	4,097	4,472	(375)
Number of Insured for whom a Credit was claimed	5,032	5,527	(495)
Dollar Value of Credits Claimed	$2,196,712	$2,399,686	$(202,974)

Table 2 shows the number of credits claimed for each of the maximum allowable amounts, either $500 or $390. For 2016, 294 fewer credits were claimed for the maximum of $500 than in 2015. Overall, 83.0% of the credits were for either of the maximum amounts.

Table 2
Number of Credits Claimed by Maximum Credit Amount

$500 Maximum Credit	3,382
$390 Maximum Credit	792

Table 3 shows the distributions of ages of insured people for whom the credit was claimed. As would be expected, the majority of credits claimed are for those over 50 years of age. Finally, Table 4 shows the distribution of the number of credits per return.

Table 3
Age Distribution of Insured

40 and Under	1,148	23.00%
41 to 50	624	13.12%
51 to 64	1,897	38.61%
65 and Over	1,363	25.28%
Total Credits Claimed	**5,032**	

Table 4
Distribution of Number of Credits per Return

One Credit	3,193	77.94%
Two Credits	881	21.50%
Three Credits	16	0.39%
Four+ Credits	7	0.17%
Total # Returns Claiming Credit	**4,097**	

The Comptroller has no information to indicate "the additional number of individuals covered by long-term care insurance as a result of the credit," as there is no way to determine the number of individuals who only purchased long-term care insurance because of the credit. Presumably, some portion of the 5,032 insured for whom the credit was claimed became insured because of the credit, but it is likely that the majority of individuals for whom the credit was claimed would have become covered in the absence of the credit. In addition, and perhaps more importantly from a fiscal perspective, the Comptroller has no means of determining how many of the individuals who purchased the insurance solely because of the credit kept their policies in force after the first year, when the credit no longer applies.

The Comptroller also has no information as to "the savings under the State's medical assistance program as a result of additional individuals being covered by long-term care insurance as a result of the credit." To the best of our knowledge, this information does not reside in any State agency. In any case, it is possible that a small number of individuals purchased long-term care insurance because of the credit and required long-term care, and the State may have saved money for those individuals. But, in the early years of the credit, it is probable that the aggregate cost of the credit (for those who would have purchased long-term care insurance anyway, for those who allowed their policy to lapse, and for those who purchased the insurance solely because of the credit but have not needed long-term care) would have outweighed any savings to the State.