

May 31, 2024

The Honorable Wes Moore
Governor of Maryland
State House
Annapolis, Maryland 21401

Honorable William C. Ferguson IV
President, Maryland Senate
State House
Annapolis, Maryland 21401

Honorable Adrienne A. Jones
Speaker, Maryland House of Delegates
State House
Annapolis, Maryland 21401

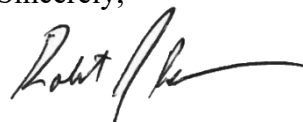
Dear Governor, President, and Speaker:

Tax-General Article § 10-718 requires the Comptroller's Office to report certain information about the income tax credit for long-term care insurance premiums paid by qualifying individuals. 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 data from the returns of tax filers who claimed the Maryland long-term care insurance tax credit for tax year 2021. A total of \$1.6 million was claimed for 3,516 covered individuals on the returns of 2,950 filers. The attached report provides additional details about these credits. This report was prepared by Mary DeStefano with additional assistance provided by David Farkas.

Sincerely,



Robert J. Rehrmann



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

Chapter 242 of 2000 created a credit against the personal income tax for long-term care insurance premiums. In addition, the Act mandated that the Comptroller report annually to the Governor and General Assembly information including 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.

A maximum credit of \$500 is allowed for 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. In calendar year 2021, the maximum credit is limited to \$450 for those age 40 years or under and \$500 for all other individuals. The credit is available not only for the insured individual and their spouse, but also for premiums paid for a parent or stepparent, child, or grandchild.

Table 1 compares the credits claimed in tax years 2020 and 2021.

Table 1
Tax Credit Claims

	Tax Year 2021	Tax Year 2020	Difference
Returns with One or More Credits	2,950	3,068	(118)
Number of Insured for whom a Credit was Claimed	3,516	3,638	(122)
Dollar Value of Credits Claimed	\$1,561,976	\$1,595,211	(\$ 33,235)

Table 2 shows the distribution of the credits claimed by federal adjusted gross income.

Table 2
Credit Data by Federal Adjusted Gross Income

Federal Adjusted Gross Income	Credit Dollars	Share of Credit Dollars	Credits Claimed	Share of Credits Claimed
Less than 50,001	302,610	19.4%	763	21.7%
\$50,001 - \$100,000	348,039	22.3%	809	23.0%
\$100,001 - \$250,000	629,752	40.3%	1,371	39.0%
\$250,001 - \$500,000	215,360	13.8%	440	12.5%
Greater than \$500,000	66,215	4.2%	133	3.8%
Total	1,561,976	100%	3,516	100%

Note: Numbers may not sum to total due to rounding.

Table 3 shows the number of credits claimed for the maximum allowable amounts. A total of 2,298 credits claimed the maximum \$500 credit, an increase of 4 compared to tax year 2020. Overall, 82.5% of the credits were for either of the maximum amounts.

Table 3
Credits Claimed by Maximum Credit Amount

40 and Under - \$450	604
All Other Individuals - \$500	2,298
Total	2,902

Table 4 shows the number of credits claimed based on the age of the insured person for whom the credit was claimed. As would be expected, most credits are claimed for those over 50 years of age. Finally, Table 5 shows the distribution of the number of credits claimed per return.

Table 4
Credits Claimed by Age Insured Person

Unclassified	0	0.0%
40 and Under	878	25.0%
41 to 50	455	12.9%
51 to 64	1,149	32.7%
65 and Over	1,034	29.4%
Total Credits	3,516	

Note: Due to how 502CR form records are recorded the age of the 5th claimant on a given tax return is not recorded digitally and is labeled as "unclassified".

Table 5
Number of Credits Claimed per Return

One Credit	2,409	81.7%
Two Credits	522	17.7%
Three Credits	13	0.4%
Four+ Credits	6	0.2%
Total Returns	2,950	100.0%

Due to several factors including a lack of data the Comptroller's Office 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, the necessary information does not reside in any State agency.

It is important to note that these statistics were likely impacted by the COVID-19 pandemic which began in 2020. As such, caution should be applied when interpreting these statistics relative to prior tax years. In addition, when comparing data across long-term care reports the number of claimants and credits claimed may change due to additional tax returns filed after the report was issued as well as adjustments to returns made by the Comptroller's Office.