

New Washington State Long Term Care Payroll Tax

The new Long Term Care Services and Support Act (HB 1087) affects all Washington residents. Beginning January 1, 2025, this new benefit will provide for in-home care or assisted living expense of up to \$100 per day to a \$36,500 LIFETIME maximum.

To fund the program, beginning January 1, 2022 a new payroll tax will assess each employee 0.58% of their W2 income with no income limitation. (For someone earning \$100,000 that's \$580 annually). This is an employee tax and not an employer paid tax; employers will remit this tax (drawn from payroll) to the State of Washington.

Important features of the new Long Term Care (LTC) Act

This new tax is for Washington residents only and is not portable. If you leave the State of Washington for more than 5 years all monies paid into the tax for your account will be forfeit back to the State. If you return to the State of Washington after 5 years you will start a new accrual for the LTC state benefit program.

What are my options?

The State of Washington is allowing all working residents a one-time opportunity to “opt out*” of the new state tax. To qualify for this “opt out” provision, a resident will need to have their own personal LTC care plan, a qualified Whole Life plan with a LTC rider or a group sponsored LTC product employees can purchase. The deadline to have a LTC policy in place is November 1, 2021 (please be aware that it can take up to 6 weeks to enroll on an individual LTC plan).

*The “opt out” is a limited opportunity which if elected you are not allowed to rejoin the State tax program.

What is Long Term Care?

Whether it's due to a serious illness, or accident this is the type of care is needed if you couldn't independently perform the basic activities of daily living (ADL): bathing, dressing, using the toilet, transferring from one location to another, continence, eating or if you suffered severe cognitive impairment from a condition such a Alzheimer's disease.

How does this coverage help?

LTC insurance will help with pay for services as needed in private nursing home, assisted living facilities, home healthcare or hospice. The program will pay up to \$100 per day to a \$36,500 LIFETIME maximum

Won't my medical insurance plan pay for long term care?

Unfortunately, no. Medical insurance is designed to pay for specific care for acute conditions – not for long term assistance with daily living. Medicaid only helps with long term care expenses after you have depleted much of your personal assets (exact amounts vary per state Medicaid program). Long Term Care is designed to cover these costs and allow you to maintain as much of your assets as possible.

New Washington Long Term Care Program – Opting Out

Beginning January 1, 2022, the new Washington Long Term Care Services and Support Act (HB 1087) requires all employers to assess each employee 0.58% of their W2 income with no income limitation. (For someone earning \$100,000 that's \$580 annually).

Why should I consider opting-out of the state program?

Individuals may want to consider opting-out of the state program under several circumstances:

- The new tax is based upon all W-2 wages with no income limit. Those who earn a higher income may want to consider the cost of the state program compared to another LTC options.
- Those who plan to leave Washington state in the future may want to consider another option as the state plan only pays for services provided within Washington State.
- If an individual is planning on retiring before the state program begins may want to consider another option.
- If you feel that the state program will not provide enough of a benefit for their future needs may want to consider a richer benefit.

How do I opt-out?

There is a one-time opportunity to opt-out of the state program. It's important to note that once you have opted-out of the state program you do not have an opportunity to join the state program at a later time.

- Individuals must obtain approval from the Washington State Employment Security Departments (ESD) by showing proof of a qualified Long Term Care policy or Whole Life policy with a LTC rider. It is then the responsibility of the individual to inform their employer that they are opting out of the state program. The window to apply with the ESD is from October 1, 2021 thru December 31, 2022.
- A Long Term Care Policy must be active as of November 1, 2021 to meet the opt-out criteria
- You must be 18 or older on the date applying to opt-out.

* Criteria for opting-out of the state program is still in development as of this notice. The ESD is also still developing reporting criteria for employers. More guidance will follow.