

Act quickly to take advantage of Washington state LTC tax exemption opportunity

Qualifying coverage applications must be received by Aug. 1 to ensure issue by Nov. 1

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Washington state recently passed the Washington Cares Act, establishing the state's new long-term care (LTC) insurance coverage intended to provide a limited benefit for long-term care services for qualified Washington residents. The [program](#) will be funded by collecting a 0.58% payroll tax from all employees (with no income limit) beginning Jan. 1, 2022, unless employees apply and are approved for an exemption.

Currently, the state of Washington is allowing an exemption from the tax for those residents who purchase or have in force qualifying LTC insurance coverage prior to Nov. 1, 2021, and who apply for an exemption (and attest to their coverage) by Dec. 31, 2022.

It is important to note that while residents have until Dec. 31, 2022, to apply for the exemption, the payroll tax deductions will begin on Jan. 1, 2022, for anyone who has not been approved for the exemption. If an exemption is granted after Jan. 1, any payroll tax collected will not be refunded.

Client considerations for private policies

Advisors and their clients should consider the benefits of private policies while making decisions about LTC protection and taxes:

- **Portability.** The state program's LTC benefit is for WA residents only. WA **employees** who retire to another state may potentially pay tax for years without collecting a benefit. A private policy generally provides benefits regardless of where the insured resides in the United States.
- **Guarantees on funding/price.** There is no guarantee that the state payroll tax will remain the same. Hybrid LTC products on a whole life chassis have a guaranteed premium that will not change in the future.
- **Benefits.** The maximum benefit under the state program is \$36,500—essentially, a \$100/day benefit for one year. The maximum benefit may not be high enough for residents looking to address a potential LTC need in the future. A private policy offers insureds flexibility to select the type and level of coverage that works for them.
- **High-income-earner coverage.** All residents will pay into the state program at the same recurring tax rate. Therefore, high-income earners will pay a greater tax for the same coverage as low-income earners but could obtain higher coverage levels in a private policy for the same premium that they would otherwise pay in increased taxes.

MassMutual products meet LTC definition under WA law

Both MassMutual CareChoice products—CareChoice One and CareChoice Select—and Legacy Whole Life policies with the LTC Access Rider meet the definition of long-term care insurance under WA law for purposes of qualifying for this exemption. (Note: Chronic illness riders such as those available with Apex VUL and UL Guard will not be considered qualifying coverage for the state tax exception.)

Select policies with maximum monthly benefit

Current regulations do not provide for a minimum benefit on commercial coverage, and until additional guidance is provided by the Washington Insurance Department, there is no guarantee that the policy will be eligible for the tax exemption. Therefore, advisors are strongly recommended to select a policy with a maximum monthly benefit of at least \$3,000 (\$100/day), which equals the state benefit. MassMutual reserves the right to establish a minimum monthly benefit it will issue if required for the policy to meet the State of Washington opt-out exemption.

Priority processing to help meet Nov. 1 issue deadline

Due to the approaching deadline, applications (including conversion applications adding LTCR) received from the state of Washington will receive priority processing for applications received IGO (in good order) by Aug. 1, 2021. Note:

- WA applications received after Aug. 1, 2021, may not get issued before Nov. 1, 2021.
- Underwriting will not waive any requirements, including medical records, if requested by the underwriter.

Timeline

Advisors and their clients should be aware of the following deadlines:

- Oct. 31, 2021: Acquire private coverage.

- Jan. 1, 2022: Payroll tax collections begin by employers from W-2 employees.
- Dec. 31, 2022: Attest in writing that private coverage has been obtained and opt out of program.

FURTHER INFO

- [FieldNet/CareChoice One](#).
- [FieldNet/CareChoice Select](#).
- [FieldNet/LTCAccess Rider](#).
- [National Sales Regional Product Contacts](#).
- National Sales Desk, 800-767-1000 (ext. 25000).
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