

GUEST COLUMN

Long-term care tax? What you need to know about the Washington Cares Fund



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The Washington State Legislature has established a trust fund program to provide long-term care insurance benefits to eligible Washingtonians.

The program will be funded through a payroll tax that is set to begin on Jan. 1, 2022. All employees working in Washington state will be subject to a 0.58% tax on their taxable W-2 earnings without limitation. In other words, each employee will pay \$5.80 for every \$1,000 they earn. Employers will not be subject to the tax but they are required to deduct the tax from employee earnings and remit the funds to the state. Self-employed individuals are not subject to this tax but may elect to participate if they so desire.

Employees have a one-time opportunity to opt out of the Washington Cares Fund program. Individuals must have a new or existing qualifying long-term care policy in place by Nov. 1, 2021. If they do, they may apply to the state for an exemption from the program. They must make application for exemption between Oct. 1, 2021, and Dec. 31, 2022. That is the only window for application and once closed will never re-open.

If granted, the state will issue the individual an exemption letter. The individual must provide a copy of the letter to their current and future employers. Specifics on how to apply for the exemption are not yet available but presumably will be by Oct. 1, 2021. Taxes

deducted from earnings prior to receiving the exemption are non-refundable.

Benefits will become available to vested employees starting in 2025. To become vested, employees must work and contribute to the fund for at least 10 years without a break of five or more years, or three out of the prior six years at the time of benefit application.

To qualify for benefits through this Washington state-sponsored plan a vested employee must require assistance with at least three Activities of Daily Living which include:

- ◆ Medication management
- ◆ Personal hygiene
- ◆ Eating
- ◆ Toileting
- ◆ Cognitive impairment
- ◆ Transfer assistance
- ◆ Body care
- ◆ Bathing
- ◆ Ambulation/mobility and dressing

They must be living in Washington state at the time of benefit receipt and they must purchase care services from approved vendors. There is a lifetime maximum benefit amount of \$36,500, adjusted for inflation. Employees that move out of state for longer than five years at any point will forfeit benefits and premiums.

As mentioned above, employers will need to collect this tax from employee wages

(those who have not opted out of the tax) starting Jan. 1, 2022. The collected funds should be remitted to the state on a quarterly basis. The Employment Security Department will be administering the collection of the tax and presumably will implement remittance procedures similar to the current Paid Family Medical Leave Act process. Taxes, once remitted, will not be refundable even if remitted on behalf of an exempt employee.

According to U.S. Department of Social and Health Services Administration on Aging, around 70% of people over age 65 will need long-term care at some point in their life. Costs are increasing every year. The criteria for underwriting long-term care policies is stringent. If you have LTC insurance available through your employer we encourage you to explore that option. It often requires no underwriting and may have lower premiums than private coverage. Employer sponsored LTC insurance is often portable — meaning you can keep it after you leave the employment.

Information about the Washington Cares Fund is available at wacaresfund.wa.gov.

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