

# Washington State LTC Plan & The Payroll Tax Opt-Out



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*Presented by:*



**COLLABORATIVE PLANNING<sup>®</sup>**  
— G R O U P —



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# WA LTC Trust Act - 2019



- Created the Long-Term Services & Supports Trust Program
- Payroll tax funded
- Payroll tax begins Jan. 1, 2022
- Benefits begin Jan. 1, 2025
- “Self-employed” must opt-IN by Jan. 1, 2025
- Limited opt-OUT provision (Private LTCI by mid-July 2021)

[House Bill 1087-S2 AMS ENGR S3352.E](#) (See Documents: Bill as Passed)

***Information deemed to be reliable as of 4/6/2021.  
Trust Program regulations subject to change.***

# WA LTC Trust Act - 2019



***The question is not IF  
this will impact your clients ...***

***... the question is HOW  
it will impact your clients.***

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# Long-Term Services & Supports Trust Program – BENEFITS



- \$100 per day starting benefit amount
- Maximum 365 days (one-year) of benefits
- Benefits indexed for inflation
- (Priced with a 45-day EP, but not addressed in law)

## “Short-term care”

- WA does not allow private “STC” policies to be sold.
- Private LTCI must cover at least TWO years.



# Long-Term Services & Supports Trust Program – ELIGIBILITY



## Program eligibility – “Qualified Individual”:

LTSS payroll taxes paid for:

- 10 years (fully “vested”)  
without interruption of five or more consecutive years, OR
- Three years within the last six years (before “claim”)

## ISSUES:

- If planning to retire in <10 years, tax paid without eligibility!
- Not portable outside WA.



# Long-Term Services & Supports Trust Program – BENEFIT TRIGGERS



## Benefit “triggers” (benefit eligibility):

- Help with at least three (3) activities of daily living (ADLs)
  - Based on WA state Medicaid 10 “ADLs”:
    - Cognitive Impairment
    - Bathing
    - Dressing
    - Toileting
    - Transfer assistance
    - Eating
    - Ambulation/mobility\*
    - Medication management\*
    - Body care\*
    - Personal hygiene\*

*\*Not included in private LTC insurance*



# Long-Term Services & Supports Trust Program – PAYROLL TAX



0.58% (subject to change)

- ALL earned income - uncapped:
  - ✓ Salary or hourly wages
  - ✓ Commissions & bonuses
  - ✓ Cash value of stocks (at time of transfer) if part of comp
  - ✓ Holiday pay
  - ✓ PTO including vacation / sick leave
  - ✓ Separation pay, severance, wages in lieu of notice



# Long-Term Services & Supports Trust Program – PAYROLL TAX



- Wages do NOT include:
  - Reimbursements
  - Tips
  - Employer-paid benefits including:
    - Health insurance, life insurance, STD, LTD, retirement

*The LTC Trust Act references RCW 50A.04.010 recodified as [RCW 50A.05.010](#) – paragraph (21) defines “Remuneration.”*





# Long-Term Services & Supports Trust Program – PAYROLL TAX



- Public vote to allow for expanded “reserve” investments
  - Stocks, high-yield bonds, etc.
  - Without a change, payroll tax estimated to need to increase to 0.66%
- Failed Nov. 2020
  - Proponents plan to put it back on ballot ASAP when lower voter turnout expected





# Trust Program Cost (Tax) Examples

- \$ 25,000/year x 0.58% = \$ 12.08/month
- \$ 50,000/year x 0.58% = \$ 24.17/month
- \$ 75,000/year x 0.58% = \$ 36.25/month
- \$100,000/year x 0.58% = \$ 48.33/month
- \$200,000/year x 0.58% = \$ 96.67/month
- \$400,000/year x 0.58% = \$193.33/month



# Self-Employed Opt-In



## “Self employed” workers must opt-IN

- By 1/1/2025
  - Or within 3 years of first becoming self-employed
- Permanent opt-in
- Change of status? Both W-2 & 1099?
- Need for private LTC insurance?
  - If change to W-2, subject to tax unless preemptive opt-out



# Pros & Cons



## PROS

- Inexpensive for many
- Good definitions
- CPI benefit increases
- No medical underwriting

## CONS

- Expensive for some
- “Short-term” care
- Not portable
- Doesn’t cover non-working spouses
- Pay for <10 years, no coverage



# Payroll Tax Opt-Out - DEADLINE



- Original law deadline: 12/31/2022
  - To purchase private LTCI & request an exemption.
- Proposed “purchase” deadline: July 24, 2021
  - [SHB 1323](#): LTCI purchased by the “effective date of act.”
  - 90-days after end of legislative session = 7/24/2021
  - Still pending in WA state Senate – expected to pass

*NOTE: this is a permanent opt-out*



# Payroll Tax Opt-Out - COVERAGE



- Qualifying coverage
  - To be set by regulation – WA Employment Security Dept.
  - [Proposed regulations](#) ID any type of “LTC insurance” or LTC rider.
    - [RCW 48.83.030](#)
    - “Hybrids” OK, if meet TQ LTCI requirements
- NO current legislative or regulatory minimum benefit
  - Proponents have publicly discussed requiring “substantially similar” benefits – may yet be imposed by regulation
    - (\$100/day, 1-year, automatic increases)





# Private LTCL Benefit Options

- Minimum available:
  - \$50/day, 2-years, no inflation
- “Substantially similar” (RECOMMENDED):
  - \$110/day (\$3,100/month), 2-years, 3% automatic compound inflation

NOTE: If apply for higher amount, and lower is allowed, may be able to reduce coverage.

***You can't buy too much ...  
... but you could buy too little.***





# Private LTCL Premium Examples

## 29-year-old Couple:

- Minimum:
  - \$ 20/mo
- Recommended:
  - \$107/mo

## 38-yr-old Female:

- Minimum:
  - \$ 23/mo
- Recommended:
  - \$128/mo

## 65/58-year-old Couple:

- Minimum:
  - \$ 71/mo
- Recommended:
  - \$292/mo

## 32-yr-old Couple:

- Minimum:
  - \$ 34/mo
- Recommended:
  - \$180/mo

*Sample, estimated premiums for information only.*







# Private LTCL “Purchase” Timeline

- “Purchase” is undefined in law and proposed regulations
- Should be both:
  - Applied for, AND
  - EffectiveBEFORE the deadline (7/24/2021 or earlier)

***You can't be too early ...  
... but you can be too late!***

# Action Timeline



- To qualify for a payroll tax opt-out exemption:
  - Must “purchase” qualifying private LTCI by mid-July 2021.
- Opt-out exemption requests/processing starts 10/1/2021
  - Exemption effective first day of next quarter after approved.
- Opt-outs processed through 12/31/2022
  - If apply after 1/1/2022, may pay non-refundable tax before the exemption is approved.
- Opt-out exemption letter must be preserved and provided to employers to avoid payroll taxation.
  - Employee’s responsibility



# WA LTC Trust Act



# ***QUESTIONS?***

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# CONTACT US FOR MORE INFO



Please reach out to the member of  
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