

Washington State's Long-Term Care Trust Act

The Long-Term Care Trust Act, also known as the WA Cares Fund, is effective January 1, 2022.

In 2019, Washington became the first state in the nation to create a publicly funded insurance program that requires working residents of Washington to vest into a basic level of long-term care (LTC) benefits. The program will be funded by Washington workers who will pay premium assessments (a tax) through payroll deductions.

OVERVIEW

Beginning January 1, 2022, each W-2 employee working in the state of Washington will pay a mandatory premium tax through payroll deduction to fund the program for LTC insurance benefits. The initial premium rate will be 0.58% of the individual's wages (or \$0.58 for each \$100 earned). Wages will be taxed without limitation or capped income.

BENEFITS

Beginning January 2025, each person who is eligible to receive benefits can access LTC services and support up to \$36,500 of lifetime benefits. To be eligible to receive benefits, you must need assistance with at least three activities of daily living (ADLs) and the benefit will be available to be used for a range of services and supports, such as, but not limited to:

- Professional personal care in your home, an assisted living facility, an adult family home or a nursing home
- Adaptive equipment and technology like hearing devices and medication reminder devices
- Home safety evaluations and accessibility modifications
- Training and support for paid and unpaid family members who provide care
- Home-delivered meals
- Environmental modifications like wheelchair ramps
- Transportation

OPTING OUT OF THE PROGRAM

In order to apply for a permanent exemption ("opt out") from the WA Cares Fund—from both its indefinite payroll tax deduction (premium assessment) and from eligibility for future benefits—an employee **must already have or purchase a long-term care insurance plan through a private issuer before November 1, 2021.**

You can apply for an exemption from the state LTC program between October 1, 2021 and December 31, 2022 by showing proof of long-term care insurance coverage to Washington's Employment Security Department (ESD). Washington's ESD is currently developing the exemption application process and must approve all exemptions.

Once an exception is granted, you will be required to provide your employer a copy of your approval letter and the payroll tax will cease at the beginning of the following quarter. Individuals who wait until the last minute to apply for the exemption could be subject to the tax until the following quarter and receive no refund or benefits.

FAQS

WHO IS ELIGIBLE TO RECEIVE BENEFITS FROM THE PROGRAM?

An eligible beneficiary of the program is a qualified individual who:

- is age 18 years or older,
- was not disabled before the age of 18,
- needs assistance with at least three activities of daily living (ADLs),
- a resident in the state of Washington, and
- has not exhausted their lifetime benefits.

WHO WILL NOT BE ABLE TO RECEIVE BENEFITS?

Benefits will not be available to individuals who:

- have already permanently retired, thus are unable to contribute to the program,
- are not residing in Washington State when qualified to receive benefits - even if vested in the program.

Individuals who are not Washington residents but earn income in Washington are expected to pay the WA Cares Fund payroll tax, but will not be eligible for benefits unless or until they later move to Washington.

HOW LONG DO I HAVE TO CONTRIBUTE TO THE PROGRAM IN ORDER TO RECEIVE BENEFITS?

To qualify for benefits from the WA Cares Fund, you must have worked and contributed to the program for:

- at least ten years at any point in your life without a break of five or more years within those ten years, or
- three of the last six years at the time you apply for the benefit, and
- at least 500 hours per year during those years.

CAN I PURCHASE A LONG-TERM CARE POLICY TO AVOID ENTERING THE PROGRAM?

Yes. A LTC policy must be purchased, not have an application submitted, before November 1, 2021 in order to apply for an exemption.

WHAT IF I ALREADY OWN A LONG-TERM CARE POLICY?

Private LTC insurance policy owners may “opt out” of the program permanently by applying for an exemption between October 1, 2021 and December 31, 2022. See the first page for more information.

CAN I OPT OUT OF THE PROGRAM? IF SO, HOW?

Yes, if you purchased a LTC policy prior to November 1, 2021 you can apply to opt out of the program to Washington’s Employment Security Department (ESD). See the first page for more information.

WHAT HAPPENS AFTER MY OPT OUT IS APPROVED?

If your exemption application is approved, you will receive an approval letter from Washington’s ESD. Your exemption will be effective the quarter immediately following approval.

You must provide a copy to your current and all future employers and your employers must maintain a copy of this letter.

Should you fail to advise an employer that you are exempt from the payroll tax deduction, you are not entitled to a refund of any premium deductions prior to notification.

DO I HAVE TO APPLY FOR AN EXEMPTION EACH YEAR?

No, once an exemption is granted, you will be exempted for life and never pay the tax. This also means you can never access the WA Cares Fund benefit (which is currently a maximum of \$36,500 per person).

You will need to show your employer (and future employers) a letter from the state that says your exemption has been approved to avoid the tax.

WHAT IF I AM SELF-EMPLOYED?

If you are self-employed, you are not automatically enrolled in the program. You can, however, choose to opt in and protect yourself with the same benefits available to other Washington workers. Self-employed and independent contractors may opt in beginning January 1, 2022.

WHERE CAN I LEARN MORE?

Washington’s Employment Security Department launched a WA Cares website: www.wacaresfund.wa.gov. Here, you’ll find the latest information and resources for workers and employers.

HOW IS LONG-TERM CARE INSURANCE DEFINED IN WASHINGTON?

RCW 48.83.020¹ enacted by the Washington State Legislature currently defines “long-term care insurance” for Washington State (not federal) purposes. Included in the definition are the following types of insurance:

- Long-term care riders on life insurance and annuities, including asset-based long-term care
- Qualified long-term care insurance contracts
- The long-term care riders or policies purchased under group coverage
- While not called out specifically in RCW 48.83.020, the general definition might include some chronic illness riders, depending on their structure

For information regarding potential qualification of insurance company LTC and chronic illness products, please contact the insurance company of issue. Individuals should consult their own legal or tax professional for information regarding potential qualification for the tax exemption.

For further information on the Long-Term Care Trust Act/WA Cares Fund, refer to the State of Washington Second Substitute House Bill 1087² and Substitute Senate Bill 6267³.

Raymond James does not provide legal, tax advice, or specific recommendations on how to qualify or apply for the exemption. Individuals should consult their own legal or tax professional for more information.



RAYMOND JAMES ELIGIBLE LTC SOLUTIONS

- Annuity asset-based long-term care
- Life insurance asset-based long-term care
- Traditional long-term care
- Life insurance with a long-term care rider

¹ <https://app.leg.wa.gov/RCW/default.aspx?cite=48.83.020>. Washington State Legislature, Title 48, Chapter 48.3, Section 48.83.020 (5)

² <http://lawfilesexternal.leg.wa.gov/biennium/2019-20/Pdf/Bills/House%20Passed%20Legislature/1087-S2.PL.pdf>

³ <http://lawfilesexternal.leg.wa.gov/biennium/2019-20/Pdf/Bills/Senate%20Passed%20Legislature/6267-S.PL.pdf?q=20200729150140>

To learn more about the WA Cares Fund and determine a long-term care plan that best suits you, speak with your advisor today.

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