

The “WA Cares Fund”

Formerly known as:

Washington State Long-Term Care Trust Act



The passage of the Long-Term Care Trust Act – **effective January 1, 2022** – makes Washington the first state in the nation to create a publicly funded insurance program, providing working residents of Washington an opportunity to vest into a basic level of LTC benefits. Originally advertised as the Washington Long-Term Trust Act, it will now be known as the “WA Cares Fund.” The program will be financed by Washington State W-2 workers through payroll deductions - \$0.58 for each \$100 earned.



Employees who own long-term care insurance can apply for an exemption from the premium tax. SHB 1323, as amended on April 10, 2021, specifies employees who apply to opt-out of the Long-Term Services and Supports Trust Program, also known as the “WA Cares Fund,” must attest to having long-term care insurance **prior to November 1, 2021**.

Overview

- Beginning January 1, 2022, each W-2 employee will pay a **premium tax** through payroll deduction.
- An initial premium rate will be **0.58%** of the individuals' wages.
- Wages will be taxed without limitation or a capped amount.
- To qualify for an **exemption** from the payroll tax, an employee must purchase private long-term care insurance **prior to November 1, 2021**, and apply for the exemption during the limited period from October 1, 2021 through December 31, 2022 – and be approved.
- Maximum lifetime benefits are **\$36,500** per person (adjusted annually) for vested individuals.
- LTC benefits under this program are available **only for care provided in Washington** for Washington State residents and are not transferable.

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Opting-Out of the Program

An employee who attests they have long-term care insurance (LTC) purchased prior to November 1, 2021 has the option to apply for an exemption from the premium tax. Note that once the employee is determined to be exempt, they may not later apply to become a qualified individual or eligible beneficiary and will be permanently ineligible for coverage under the program.

- The employment security department will accept applications for the exemption **only from October 1, 2021 through December 31, 2022.**
- Employees must be age 18 and older to apply for the exemption.
- The tax is assessed through payroll deduction; therefore, it is the responsibility of the employee to provide written notification and a copy of the letter approving their exemption to all current and future employers.

What qualifies as “long-term care insurance?”

According to rules proposed by the Employment Security Department, an employee who attests to having long-term care insurance “**as defined in RCW 48.83.0201,**” may apply for an exemption. This Code defines “long-term care insurance” to generally include (but is not limited to):

- Long-term care riders on annuities and life insurance (which would include linked benefit LTC policies).
- Qualified long-term care insurance contracts.
- The long-term care riders or policies purchased under group coverage.

Chronic illness riders are not called out in RCW 48.83.020. While it is possible some chronic illness riders may qualify depending on their structure, further clarification from the state of Washington is clearly needed. You may refer to the State of Washington Second Substitute House Bill 10871, Substitute Senate Bill 62672, and Substitute House Bill 13234 for additional information. The Washington State Trust Commission is solely responsible for approving exemptions from the 0.58% payroll tax.

For more information, please contact our Life & Disability Consultant:

Stacy R. Walker

877.688.0574

Stacy@alliancewestinsurance.com

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