How Does Washington State’s Long-Term Care Trust Act Impact You?

What is the new tax?
Washington State has passed an uncapped payroll tax of 0.58% starting January 2022 to help fund growing long-term care expenses. This tax applies to all W2 income including salary, bonuses, and stock.

Why was this enacted?
Nationally, 70% of individuals turning 65 will need some kind of long-term care services in their lifetime with the average stay lasting 2.2 years for men and 3.7 years for women. The majority of the population does not have the resources to pay for their care needs and relies on Medicaid. Currently, Washington pays $2 billion every year on long term care expenses through Medicaid and this number is expected to increase to $4 billion by 2030. Current long-term care costs in Seattle are listed below:

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What benefits are offered?
This tax impacts all W2 employees in Washington and this tax will provide $100 per day, with a lifetime benefit of $36,500 for long-term care services which includes independent living, assisted living, and skilled nursing. Self employed individuals will be able to opt-in. It is important to note these benefits are only available in Washington State and do not apply to spouses or other family members.

What are my options?
Individuals can opt-out of this tax if you have your own long-term care policy in place on or before November 1, 2021. If you currently have a policy in place you can submit an attestation to Washington State’s Employment Security Department between October 1 2021 and December 31, 2022.

If you do not have a policy and have high W2 income, we recommend looking into policy options as soon as possible. Individuals may be able to get higher benefits with lower premiums by purchasing a private policy. We recommend reviewing with your wealth consultant within the context of your financial plan to figure out what is best for you.

To learn how Evergreen Gavekal can help you cover your bases when it comes to financial planning and investing, reach out to info@evergreengavekal.com.

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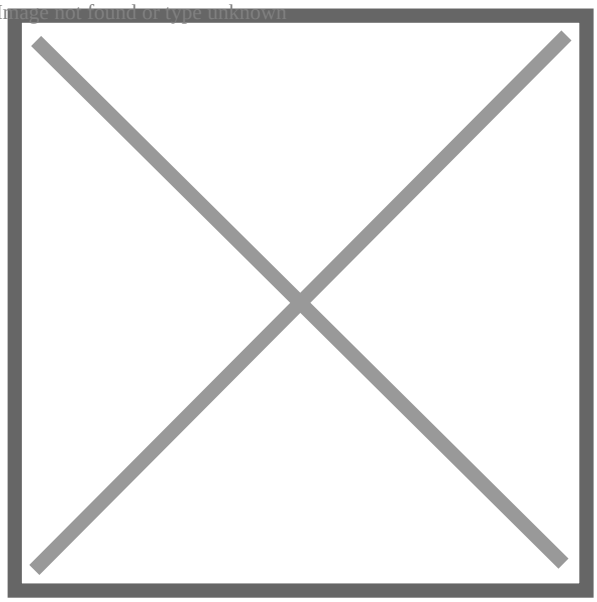

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