

EMPLOYEE BENEFIT ALERT



JANUARY 31, 2022

Washington Long-Term Care Services and Supports Act – Payroll Tax for Washington Workers Delayed Until July 2023

BACKGROUND

Washington state passed the Long-Term Care (LTC) Services and Supports Act in 2019. This bill quickly became known as the “LTC payroll tax law” as it requires Washington workers to pay a tax of 0.58% on W-2 payroll amounts to fund the state’s LTC program. Employers do not pay the tax; it is funded by the employees via a payroll tax.

The payroll tax was originally effective January 1, 2022. However, after Governor Inslee announced the postponement of the tax, Washington legislators quickly moved to enact legislation which would formally delay the long-term care tax until July 2023. January 26, Bill HB 1732 was passed by the Washington State Legislature.

What should an employer do if the tax was already collected from an employee’s paycheck? The legislation requires an employer to refund any premiums collected within 120 days of the collection date.

WHAT SHOULD EMPLOYEES WITH LTC INSURANCE DO?

For those who obtained alternative LTC coverage with the intention of opting out of the payroll tax, our advice remains- keep the coverage in place in the likely event that the original opt-out date will be maintained by the legislature. While this is undoubtedly the conservative approach, the alternative could result in payroll taxes continuing until retirement.

SUMMARY

The WA LTC payroll tax has been delayed to July 2023 giving time for legislators to review the bill in its current form and perhaps pass companion legislation to improve upon a few problem areas.

For more information regarding the tax, visit www.wacaresfund.wa.gov.

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