



STATE OF MAINE  
DEPARTMENT OF PROFESSIONAL  
AND FINANCIAL REGULATION  
BUREAU OF INSURANCE  
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## Bulletin 425

### Tax Credit for Employer-Offered Disability Insurance

In 2016, the Legislature enacted “An Act to Encourage Maine Employers to Offer and Employees to Enroll in Disability Income Protection Plans in the Workplace,”<sup>1</sup> which makes a tax credit available, for tax years beginning on or after January 1, 2017, to employers that offer qualified short-term or long-term disability income protection plans to their employees.<sup>2</sup>

A qualified disability income protection plan is a group disability insurance policy that is established or reopened for enrollment after January 1, 2017, allows employees to opt out of enrollment, and meets the following minimum standards. To be a qualified long-term disability income protection plan, the policy must: 1) have an elimination period of no more than 185 days; 2) replace at least 50% of pre-disability earnings prior to any applicable offsets; and 3) offer benefits for at least 24 months. To be a qualified short-term disability income protection plan, the policy must: 1) have an elimination period of no more than 30 days; 2) replace income of at least \$200 per week (after application of any offsets); and 3) offer benefits for at least 6 months.<sup>3</sup> Employees must be given a reasonable time period to opt out of coverage and must be provided with a disclosure statement explaining their right to opt out of coverage, the process for exercising that right, and the deadline, if any, to opt out of coverage.<sup>4</sup>

The premium for a qualified disability income protection plan can be paid by the employee, the employer, or a combination of both. The credit is available for the first three years that the employer offers one or more qualified plans, and is based on the number of employees who were (1) enrolled in one or more qualified plans during the year for which the credit is taken; and (2) not enrolled in any disability income protection plan offered by the employer during the year before the employer became eligible for the credit. Thus, employees enrolled in both short-term and long-term coverage are only counted once for purposes of the credit, and employers that already have qualified plans in force are not entitled to a new period of eligibility if they add one or more new qualified plans in a subsequent year.<sup>5</sup>

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<sup>1</sup> P.L. 2015, ch. 490.

<sup>2</sup> 36 M.R.S. § 5219-NN(2).

<sup>3</sup> 24-A M.R.S. § 2804-B; 36 M.R.S. § 5219-NN(1).

<sup>4</sup> 24-A M.R.S. § 2804-B.

<sup>5</sup> 36 M.R.S. § 5219-NN(3).



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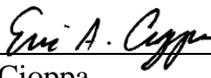
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The Bureau of Insurance reviews policy forms to determine whether they qualify for the tax credit, Insurers may not represent that a policy qualifies for the credit until it has been approved as a qualified policy by the Bureau. Insurers requesting approval of a new or existing policy form as a qualified short-term or long-term disability income protection plan must file both the policy form and the employee disclosure form with the Bureau, along with the qualified plan checklist that is available on the Bureau's Website. The Bureau will maintain lists of approved qualified short-term and long-term policy forms on its website, listed by form number. Insurers are instructed to provide employers with certifications that the policy has been approved as a qualifying short-term or long-term disability income protection plan. Employers may file these certifications with Maine Revenue Services as proof that the policy qualifies for the credit.

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