

Tax-Qualified Long-Term Care Insurance (LTCI) 2015 Tax Summary

Type of Taxpayer	Premium Deduction (Traditional Policies)	Taxation of Benefits												
Individual taxpayer who does NOT itemize	No deduction.	<p>Reimbursement benefits are not included in income. <i>IRC §§ 104(a)(3), 7702B(a)(2)</i></p> <p>Per diem (or indemnity) benefits are not included in income except amounts that exceed the greater of:</p> <ul style="list-style-type: none"> • \$340 per day (2015 indexed), or • Total qualified LTC expenses. <p><i>IRC §§ 104(a)(3), 7702B(a)(2), 7702B(d)</i></p>												
Individual taxpayer who itemizes deductions (Schedule A)	<p>Treated as accident and health insurance. <i>IRC § 7702B(a)(1)</i></p> <p>Limited to lesser of actual premium paid or eligible LTCI premium. <i>IRC §§ 213(d)(1)(D), 213(d)(10)</i></p> <p>Eligible LTC premium in 2015 (indexed):</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Attained age in tax year</th> <th style="text-align: center;">Deductible premium limit</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Age 40 or less</td> <td style="text-align: center;">\$ 390</td> </tr> <tr> <td style="text-align: center;">Age 41 – 50</td> <td style="text-align: center;">\$ 730</td> </tr> <tr> <td style="text-align: center;">Age 51 – 60</td> <td style="text-align: center;">\$1,460</td> </tr> <tr> <td style="text-align: center;">Age 61 – 70</td> <td style="text-align: center;">\$3,900</td> </tr> <tr> <td style="text-align: center;">Age 71 and older</td> <td style="text-align: center;">\$4,870</td> </tr> </tbody> </table> <p>Medical expense deduction is allowable to extent that such expenses (including payment of Eligible LTCI premium) exceed 10% of AGI (7.5% if age 65 or older). <i>IRC § 213(a)</i></p>		Attained age in tax year	Deductible premium limit	Age 40 or less	\$ 390	Age 41 – 50	\$ 730	Age 51 – 60	\$1,460	Age 61 – 70	\$3,900	Age 71 and older	\$4,870
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HSA & Archer MSA	Eligible LTCI premium is a qualified medical expense. <i>IRC § 213(d)(1)(D)</i>	<p>Return of premium (non-forfeiture) benefits:</p> <ul style="list-style-type: none"> • Available only upon total surrender or death. • May not be borrowed or pledged. • Included in gross income to extent of any deduction or exclusion allowed with respect to premium. <p><i>IRC § 7702B(b)(2)(C)</i></p>												
Employee (W-2) (NON-owner)	<p>Premium paid by employee (e.g., “voluntary” or payroll deduction):</p> <ul style="list-style-type: none"> • May NOT be paid through cafeteria plan. <i>IRC § 125(f)</i> • May NOT be paid through FSA or similar arrangement. <i>IRC § 106(c)</i> • Deductible by employee who itemizes (subject to limitations above) <p>Premium paid by employer (ANY business type):</p> <ul style="list-style-type: none"> • Employer provided LTCI treated as accident and health plan. <i>IRC § 7702B(a)(3)</i> • Deductible by employer - NOT limited to Eligible premium (subject to reasonable compensation). May also include spouse and other eligible tax dependents. <i>IRC § 162(a)</i> • Total premium excluded from employee’s income (NOT limited to Eligible premium). Not subject to FICA, etc. <i>IRC § 106(a)</i> • Benefits remain tax-free. (See column to right) 													
C corporation shareholder/employee (with W-2) • Including PCs and LLCs taxed as a C	Treated as employee. (See above)	<p>Linked-Benefit LTCI</p> <p>LTC benefits paid from a qualified (7702B) annuity or life insurance “linked benefit” plan are tax-free as noted above. <i>IRC § 7702B(e)</i></p>												
“Self-employed” business owners: • Sole proprietor • Partner • >2% shareholder in S corporation • Member of a LLC (or PC) taxed as any of above	<p>Eligible for Self-Employed Health Insurance Deduction, which is taken “above-the-line” on Line 29 of IRS Form 1040 (2014). May also include spouse or other eligible tax dependents. <i>IRC § 162(l)</i></p> <p>Limited to lesser of actual premium paid or Eligible LTCI premium. <i>IRC §§ 213(d)(1)(D), 213(d)(10)</i></p> <p>Eligible LTCI premium in 2015 (indexed):</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Attained age in tax year</th> <th style="text-align: center;">Deductible premium limit</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Age 40 or less</td> <td style="text-align: center;">\$ 390</td> </tr> <tr> <td style="text-align: center;">Age 41 – 50</td> <td style="text-align: center;">\$ 730</td> </tr> <tr> <td style="text-align: center;">Age 51 – 60</td> <td style="text-align: center;">\$1,460</td> </tr> <tr> <td style="text-align: center;">Age 61 – 70</td> <td style="text-align: center;">\$3,900</td> </tr> <tr> <td style="text-align: center;">Age 71 and older</td> <td style="text-align: center;">\$4,870</td> </tr> </tbody> </table> <p>Deduction is NOT limited to 10% (or 7.5%) of AGI threshold.</p>	Attained age in tax year	Deductible premium limit	Age 40 or less	\$ 390	Age 41 – 50	\$ 730	Age 51 – 60	\$1,460	Age 61 – 70	\$3,900	Age 71 and older	\$4,870	<p>Cash surrenders from a LTCI linked-benefit plan may have a reduced cost-basis. <i>IRC § 72(e)(11)</i></p> <p>Premium payments for annuity or life insurance linked-benefit LTCI plans are NOT deductible. (Separately-billed TQ LTCI riders may be deductible.)</p> <p style="font-size: small; text-align: center;">NOTE: This document is only a summary of the tax treatment of qualified long-term care insurance.</p>
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