

Tax Deductible Features Of Qualified Long Term Care Insurance Premiums

The Health Insurance Portability and Accountability Act of 1996, which went into effect January 1, 1997 provides for the tax deduction of premiums paid for Tax Qualified Long Term Care (LTC) insurance by businesses and individuals, provided certain eligibility requirements are met. Below is a description of these tax advantages by category.

This document is intended for internal use only. Persons and business entities should consult their financial advisor or tax consultant for advice pertaining to their specific situation.

Regular C-Corporation

A Regular C-Corporation may deduct the premiums paid for Tax Qualified LTC insurance for any and all employees, their spouses, and other dependents at 100%. There is no imputed income to the employee and all benefits are received tax free to the insured at the time of claim.

There is no requirement that the LTC coverage be provided by the employer on a non-discriminatory basis.

Sub-S Corporation

A Sub-S Corporation may deduct the full premium(s) it pays for Tax Qualified LTC insurance on behalf of any and all employees, their spouses and other dependents. For employees own less than 2% of the corporation there is no imputed income tax liability nor is the benefits taxable at the time of claim.

For employees owning 2% or more, the corporation, as an entity, may deduct the full amount of premium paid for Tax Qualified LTC insurance, however, that entire amount is considered income to the "owner/employee". The "owner/employee" may then deduct a portion of that premium/income as a "Self Employed" individual (See Below).

There is no requirement that the LTC coverage be provided on a non-discriminatory basis.

Partnerships And Limited Liability Corporations (LLC)

Partnerships and Limited Liability Corporations may also deduct premiums for Tax Qualified LTC insurance paid on behalf of their owners, employees, and their spouses. If, however, the insured is an "owner", the premium amount paid for those individuals and dependents is included in the owner's tax liability as imputed income. The owner may then deduct a portion of that premium/income as a "Self Employed" individual (See Below).

There is no requirement that the LTC Coverage be provided on a non-discriminatory basis.

Self Employed

A self-employed individual may deduct premiums for Qualified LTC insurance along with the premiums for his/her spouse and other dependents. The deduction is limited to the lesser of the actual premium or the amount in Table 2 multiplied by the percentage amount shown in Table 1. The remaining premium, if any, is then subject to the rules governing the "Individual" tax deductibility of premiums for Tax Qualified LTC insurance.

There is no requirement that the LTC coverage be provided on a non-discriminatory basis.

Individuals

An individual may deduct premiums paid for Qualified LTC insurance along with the premiums for his/her spouse and dependents. The individual must file his/her taxes on the "long form". The lesser of the actual premiums paid by the individual for Tax Qualified LTC insurance (minus any portion of the premium which may have already been deducted under the "Self Employed" deduction.) or the amount in Table 2 is considered a medical expense. This is added to all other medical expenses and premiums, for other health/medical insurance, along with any unreimbursed LTC services. The amount exceeding 7.5% of the individuals adjusted gross income (AGI) is deductible.

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2009 Table of Tax Qualified LTCI Premiums

TABLE 1

Tax Year	Percentage
2009	= 100% of Deductible Premiums

TABLE 2

AGE	Deductible Limit
	Tax Year 2009
Ages 40 or less	\$ 320
41 – 50	\$ 600
51 – 60	\$ 1,190
61 – 70	\$ 3,180
71 and older	\$ 3,980
Maximum Indemnity Plan Per Diem Amount	\$ 280