

CLTC One Page 2017 Tax Summary Tax-Qualified Long-Term Care Insurance (LTCI)

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 <u>greater of</u>:</p> <ul style="list-style-type: none"> • \$360 per day (2017 indexed), <u>or</u> • 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 <u>lesser of</u> actual premium paid <u>or</u> eligible LTCI premium. <i>IRC §§213(d)(1)(D), 213(d)(10)</i></p> <p>Eligible LTC premium in 2017 (indexed):</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #e6f2ff;">Attained age in tax year</th> <th style="background-color: #e6f2ff;">Deductible premium limit</th> </tr> </thead> <tbody> <tr> <td style="background-color: #e6f2ff;">Age 40 or less</td> <td style="background-color: #e6f2ff;">\$ 410</td> </tr> <tr> <td style="background-color: #e6f2ff;">Age 41 – 50</td> <td style="background-color: #e6f2ff;">\$ 770</td> </tr> <tr> <td style="background-color: #e6f2ff;">Age 51 – 60</td> <td style="background-color: #e6f2ff;">\$1,530</td> </tr> <tr> <td style="background-color: #e6f2ff;">Age 61 – 70</td> <td style="background-color: #e6f2ff;">\$4,090</td> </tr> <tr> <td style="background-color: #e6f2ff;">Age 71 and older</td> <td style="background-color: #e6f2ff;">\$5,110</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), 213(f)</i></p>		Attained age in tax year	Deductible premium limit	Age 40 or less	\$ 410	Age 41 – 50	\$ 770	Age 51 – 60	\$1,530	Age 61 – 70	\$4,090	Age 71 and older	\$5,110
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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 <u>employee</u> (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 <u>employer</u> (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 style="text-align: center;"><u>Linked-Benefit LTCI</u></p> <p>LTC benefits paid from a Tax-Qualified (7702B) annuity or life insurance “linked benefit” plan are tax-free as noted above. <i>IRC §7702B(e)</i></p> <p>Cash surrenders from a LTCI linked-benefit plan that paid LTCI benefits 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>												
“Self-employed” business owners: • Sole Proprietor • Partner • S-Corporation >2% shareholder/employee (W-2) • Member of a LLC or PC taxed as any of above <i>NOTE: Limited Liability Corporation (LLC) is a legal, not tax, entity – ask how the entity files.</i>	<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 2017 (indexed):</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #e6f2ff;">Attained age in tax year</th> <th style="background-color: #e6f2ff;">Deductible premium limit</th> </tr> </thead> <tbody> <tr> <td style="background-color: #e6f2ff;">Age 40 or less</td> <td style="background-color: #e6f2ff;">\$ 410</td> </tr> <tr> <td style="background-color: #e6f2ff;">Age 41 – 50</td> <td style="background-color: #e6f2ff;">\$ 770</td> </tr> <tr> <td style="background-color: #e6f2ff;">Age 51 – 60</td> <td style="background-color: #e6f2ff;">\$1,530</td> </tr> <tr> <td style="background-color: #e6f2ff;">Age 61 – 70</td> <td style="background-color: #e6f2ff;">\$4,090</td> </tr> <tr> <td style="background-color: #e6f2ff;">Age 71 and older</td> <td style="background-color: #e6f2ff;">\$5,110</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	\$ 410	Age 41 – 50	\$ 770	Age 51 – 60	\$1,530	Age 61 – 70	\$4,090	Age 71 and older	\$5,110	
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