



2019 Tax Advantages of Qualified Long Term Care Insurance

Understanding the tax advantages and benefits of qualified LTCi can be a benefit to you when working in both individual and employer group sales markets. Please note that the tax information provided is an interpretation of federal guidelines. Clients should consult with their tax advisor regarding any tax-related issues.

2019 Eligible LTC Premiums At-A-Glance	Attained Age Before The Close of Taxable Year	Eligible Annual LTC Premiums 2019 Tax Year
	40 and younger	\$420
41 - 50	\$790	
51 - 60	\$1,580	
61 - 70	\$4,220	
71 and older	\$5,270	

INDIVIDUALS

Qualified Long Term Care insurance (LTCi) premiums and expenses are deductible personal medical expenses for those who itemize. For additional information see section 213(d) of the Internal Revenue Code (IRC). Only unreimbursed medical expenses in excess of 10% of adjusted gross income are deductible based upon the government's 2019 age-based table.

PASS THROUGH ENTITIES

A self-employed person may deduct 100% of premium paid for the individual, as well as the individual's spouse and dependents, up to the maximum eligible allowed as indicated in the above chart without regard to the 10%.

LIMITED LIABILITY CORPORATIONS, PARTNERSHIPS & S-CORPORATION 2%+ OWNERS

The above entity business owners are all treated as if they are partners. LTCi premiums have been classified as health insurance. When the business pays the premium, it is 100% tax deductible by the business entity. The LTCi premium becomes taxable income to the business owner as "guaranteed" income. From the business owner's tax return and applicable schedule used for business income and expenses, the eligible premium for long term care will be an above the line tax deduction.

C-CORPORATIONS, PC CORPORATIONS & TAX-EXEMPT ORGANIZATIONS

The above businesses may deduct, as a business expense, all qualified LTCi premiums paid for its employees, employees' spouses and dependents, as well as retirees and their spouses. This includes the business owner, who is considered an employee of the corporation. The employer's contributions toward the cost of the premium are not included as imputed income to the employee.

CONTRIBUTORY ARRANGEMENTS

When the employer and the employee share the cost of the LTCi premium, the company may deduct all premium it contributes for qualified LTCi plans as a business expense. Premiums paid for spouses and dependents of employees are treated similarly. For federal income tax purposes, the employee's portion of the premium is treated as if paid by the individual, and is deductible – subject to the age based limits for individual taxpayers – if the employee's total unreimbursed medical expenses, including qualified LTCi premiums, exceed 10% of employees adjusted gross income as noted for individuals.

PER DIEM CONTRACTS

For calendar year 2019, the per-diem limitation regarding periodic payments received under a qualified LTC insurance policy is \$370.

Source: Internal Revenue Code, Rev. Proc. 2018-57, <https://www.irs.gov/pub/irs-drop/rp-18-57.pdf>