



LONG-TERM CARE INSURANCE TAX ADVANTAGES

While a long-term care insurance policy is designed to cover costs associated with the need for long-term care, it can also provide tax advantages to both an individual or to the corporation that purchases the plan.

To an individual:

LTCI premiums on tax-qualified plans are considered medical expenses. For those who itemize their income tax deductions, medical expenses are deductible as long as they exceed 7.5 percent of the individual's adjusted gross income (AGI). The amount of LTCI premium allowed to be deducted is limited based on the age of the insured individual and according to the Eligible Premium Deduction chart. Any LTCI premiums that exceed this amount are not deductible.

2008 Eligible Premium Deduction chart

Age of insured:		Example:	
40 or less	\$310	Age:	58
41 to 50	\$580	AGI:	\$60,000
51 to 60	\$1,150	Medical Expenses:	\$5,000
61 to 70	\$3,080	Annual Premium (TQ LTCI Policy):	\$2,500
70 or more	\$3,850	Eligible Premium Deduction:	\$1,150
		Total Medical Expenses:	\$6,150
		7.5% of AGI:	\$4,500
		Medical Expenses that exceed 7.5% of AGI:	$(\$6,150 - \$4,500) = \$1,650$
		Total Deduction:	\$1,650
		AGI Less Deduction:	\$58,350

To a Corporation:

When a C Corporation purchases a tax-qualified LTCI policy for their employees, or their spouses or dependents, the corporation can deduct 100 percent of the premium as a normal business expense. The deduction is not limited to the age-based Eligible Premium Deduction chart amount shown above.

An S Corporation or Sole Proprietor can also benefit from owning a LTCI policy; however, the amount they can deduct is limited by the Eligible Premium Deduction chart. The good news, however, is that they do not have to meet the 7.5 percent AGI in order to take the deduction.

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