

2006 One Page Tax Summary Qualified Long-Term Care Insurance (LTCi)

| Type of Taxpayer | Premium Deductions | Taxation of Benefits | | | | | | | | | | | | |
|--|--|--|------------------------|----------------|-------|-------------|-------|-------------|---------|-------------|---------|------------------|---------|--|
| Individual taxpayer who does NOT itemize | No deduction. | Reimbursement benefits are not included in income. | | | | | | | | | | | | |
| Individual taxpayer who itemizes deductions | <p>Treated as accident and health insurance. IRC §7702B(a)(1)</p> <p>Limited to lesser of actual premium paid or eligible LTC premium. IRC §§213(d)(1)(D), 213(d)(10)</p> <p>Eligible LTC premium in 2006:</p> <table border="1" data-bbox="446 514 1174 672"> <thead> <tr> <th>Attained age in tax year</th> <th>Limitation on premiums</th> </tr> </thead> <tbody> <tr> <td>Age 40 or less</td> <td>\$280</td> </tr> <tr> <td>Age 41 – 50</td> <td>\$530</td> </tr> <tr> <td>Age 51 – 60</td> <td>\$1,060</td> </tr> <tr> <td>Age 61 – 70</td> <td>\$2,830</td> </tr> <tr> <td>Age 71 and older</td> <td>\$3,530</td> </tr> </tbody> </table> <p>Medical expense deduction is allowable to extent that such expenses (including payment of eligible LTC premium) exceed 7.5% of AGI. IRC §213(a)</p> | Attained age in tax year | Limitation on premiums | Age 40 or less | \$280 | Age 41 – 50 | \$530 | Age 51 – 60 | \$1,060 | Age 61 – 70 | \$2,830 | Age 71 and older | \$3,530 | <p>IRC §§104(a)(3), 7702B(a)(2)</p> <p>Per diem or indemnity benefits are not included in income except those amounts that exceed the greater of:</p> <ul style="list-style-type: none"> • Total qualified LTC expenses, or • \$250 per day (in 2006). <p>IRC §§104(a)(3), 7702B(a)(2), 7702B(d)</p> |
| Attained age in tax year | Limitation on premiums | | | | | | | | | | | | | |
| Age 40 or less | \$280 | | | | | | | | | | | | | |
| Age 41 – 50 | \$530 | | | | | | | | | | | | | |
| Age 51 – 60 | \$1,060 | | | | | | | | | | | | | |
| Age 61 – 70 | \$2,830 | | | | | | | | | | | | | |
| Age 71 and older | \$3,530 | | | | | | | | | | | | | |
| MSA & HSA deduct eligible premium | Eligible LTC premium is a qualified medical expense. IRC §213(d)(1)(D) | Nonforfeiture benefit (return of premium benefit): | | | | | | | | | | | | |
| Employees (non-owners) | <p>Premiums paid by employees:</p> <ul style="list-style-type: none"> • Deductible by employee who itemizes (subject to limitations outlined above). • May not be paid through cafeteria plan. IRC §125(f) • May not be paid through FSA or similar arrangement. IRC §106(c) <p>Premiums paid by employer:</p> <ul style="list-style-type: none"> • Employer provided LTCi treated as accident and health plan. IRC §7702B(a)(3) • Deductible by employer (subject to reasonable compensation). IRC §162(a) • Total premium excluded from employee's income (not limited to eligible premium). IRC §106(a) | <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>IRC §7702B(b)(2)(C)</p> | | | | | | | | | | | | |
| C corporation owner-employee | Treated as employee. | | | | | | | | | | | | | |
| <p>Other business owners</p> <ul style="list-style-type: none"> - Sole proprietor - Greater than 2% shareholder in: - S corporation - Partnership <p>LLC:</p> <p>LLC is a legal not tax filing. Check how the entity files</p> | <p>Eligible for Self-Employed health insurance deduction, which is taken "above the line" Line 31 of IRS Form 1040 (2002). IRC §162(l)</p> <p>Limited to lesser of actual premium paid or eligible LTC premium. IRC §§213(d)(1)(D), 213(d)(10)</p> <p>Eligible LTC premium in 2006:</p> <table border="1" data-bbox="446 1585 1174 1753"> <thead> <tr> <th>Attained age in tax year</th> <th>Limitation on premiums</th> </tr> </thead> <tbody> <tr> <td>Age 40 or less</td> <td>\$280</td> </tr> <tr> <td>Age 41 – 50</td> <td>\$530</td> </tr> <tr> <td>Age 51 – 60</td> <td>\$1,060</td> </tr> <tr> <td>Age 61 – 70</td> <td>\$2,830</td> </tr> <tr> <td>Age 71 and older</td> <td>\$3,530</td> </tr> </tbody> </table> <p>Deduction is not limited to 7.5% of AGI threshold (outlined above).</p> | Attained age in tax year | Limitation on premiums | Age 40 or less | \$280 | Age 41 – 50 | \$530 | Age 51 – 60 | \$1,060 | Age 61 – 70 | \$2,830 | Age 71 and older | \$3,530 | <p>NOTE: This document is only a summary of the tax treatment of qualified long-term care insurance.</p> |
| Attained age in tax year | Limitation on premiums | | | | | | | | | | | | | |
| Age 40 or less | \$280 | | | | | | | | | | | | | |
| Age 41 – 50 | \$530 | | | | | | | | | | | | | |
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