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American Association for Long-Term Care Insurance MEMBER

GUIDE TO TAX-QUALIFIED Long-Term Care Insurance Protection

A SMART TAX MOVE TODAY - TO PROTECT YOUR FUTURE

Long-term care insurance protection may be 100% tax deductible as a business expense.

This guide highlights tax advantages for individuals, self-employed and corporations. To learn more, request a no-obligation cost quote today.

Federal & State Tax Incentives

are now offered to encourage Americans to take personal responsibility for future long-term care needs.

Cutting taxes is not the only reason to act now. You may qualify for group discounts that can reduce premium costs by 5-to-10% – even if you offer a voluntary benefit plan.

You may qualify for 'preferred rates' that LTC insurers offer to those currently in good health.

Your individual long-term care insurance premiums may be paid from your tax-advantaged Health Savings Account.

Business Owners Can Select Who Is Covered

without risking the loss of deductibility for themselves.

AN EXECUTIVE CARVE OUT LTCi PLAN

It's possible to create a bona fide class of select corporate employees that are eligible for this corporate-paid benefit (IRC S105/106 Medical Reimbursement Plan). Premium payments generally will be tax deductible when the 'class' is based on such factors as officers of the corporation and length of service. Tax rulings have stipulated that the class cannot, however, be based on stock ownership.

2017
TAX RULES & LIMITS
SEE NEXT PAGE

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GUIDE TO LONG-TERM CARE INSURANCE PLANNING

RULES FOR INDIVIDUALS

Individuals who itemize their tax deductions can treat premiums for tax-qualified long-term care insurance for themselves, their spouse or any tax dependents* (such as parents) as a personal medical expense.

The yearly maximum deductible amount for each individual depends on the insured's age at the close of the taxable year (see chart for current year's limits). Deductible amounts are indexed to increase each year for inflation.

For individuals, premium amounts up to the age-based limit combined with other qualifying medical expenses are subject to the same tax rules – such as being subject to the percentage threshold based on the taxpayer's age and adjusted gross income (AGI) for the year.

2017 FEDERAL TAX DEDUCTION LIMITS
Attained Age before close of tax year

Limitation on Premiums	Per Individual	For A Couple*
40 or less	$ 410	$ 820
More than 40 but not more than 50	$ 770	$1,540
More than 50 but not more than 60	$1,530	$3,060
More than 60 but not more than 70	$4,090	$8,180
More than 70	$5,110	$10,220

Source: IRS Revenue Procedure 2016-55

*Both equal premiums.

RULES FOR C-CORPORATIONS

C-Corporations benefit from complete (100%) deductibility of tax-qualified long-term care insurance as a business expense similar to traditional health and accident insurance.

100% tax-deductible insurance protection can be purchased for employees and owners. Company-paid policies can cover spouses even though they are not employed by the corporation … and even retirees.

Employer-paid LTC insurance premiums are not reported or included as part of the employee's gross income. They are not included on W-2 statements. There is no payroll tax on premium amounts paid.

Corporations may create an "Executive Carve Out" plan whereby the corporation selects and pays the cost of LTC insurance protection for designated key individuals.

Companies may establish a plan for key executives along with other options whereby the employer pays a part of the cost or offers LTC insurance to employees on a purely voluntary basis.

RULES FOR SELF-EMPLOYED

A sole-proprietor or self-employed individual can deduct eligible tax-qualified long-term care insurance premiums (as accident and health insurance) that they pay for themselves, their spouse and eligible dependents.

They need not consider the AGI threshold for deductibility. While often referred to as a 'deduction' this is really an adjustment to income. It reduces a self-employed person's gross income, but does not reduce their net earnings subject to self-employment tax.

There are some limitations and considerations for those who are self-employed to maximize tax advantages. For example, using eligible premiums to reach individual AGI thresholds where other medical expenses are incurred could be advantageous.

In addition, someone who derives self-employment income may also be an employee of another business that offers LTC insurance subsidized by the employer. Eligibility to participate in this plan would cause the loss of the self-employed deductibility even if one does not participate in the plan.

RULES FOR PARTNERSHIPS S-CORPORATIONS LIMITED LIABILITY COMPANIES

Like any other employer, a Partnership or S-Corporation may deduct premiums paid for tax-qualified long-term care insurance paid for employees, their spouses and eligible dependents.

Partners and more-than-2% shareholders of S-Corps are considered to be self-employed 'owners'. The AGI threshold for deductibility of medical expenses does not apply.

The amount of long-term care insurance premium paid for 'owners' is included in each individual's gross income for the year.The individual can then take a self-employed health insurance deduction for this amount not to exceed the aged-based limits.

Again, there are some limitations. For example, a partner may not deduct LTCi premiums for any month that the partner or their spouse is eligible to participate in an employer subsidized health plan. For this reason, exploring tax advantaged planning with a competent tax advisor is recommended.

*A Limited Liability Company (LLC) can take one of three forms: that of a sole proprietor; a partnership or C-Corporation. An LLC's long-term care insurance tax-treatment will depend on whether it is taxed like a partnership (the owners are self-employed) or a C-Corporation (*see that section).*

Thank you for taking the time to read this guide. Why not take the next step and contact me now for no-obligation costs for long-term care insurance.

LONG-TERM CARE INSURANCE IS GOOD FOR AMERICA®

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