

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

Type of Taxpayer	Premium Deduction (Traditional Policies)	Taxation of Benefits												
<b>Individual taxpayer who does NOT itemize</b>	No deduction.	<p><b>Reimbursement</b> benefits are not included in income. <i>IRC §§104(a)(3), 7702B(a)(2)</i></p> <p><b>Per diem (or indemnity)</b> benefits are not included in income except amounts that exceed the greater of:</p> <ul style="list-style-type: none"> <li>• \$360 per day (2017 indexed), <b>or</b></li> <li>• Total qualified LTC expenses.</li> </ul> <p><i>IRC §§104(a)(3), 7702B(a)(2), 7702B(d)</i></p>												
<b>Individual taxpayer who itemizes deductions</b> (Schedule A)	<p>Treated as accident and health insurance. <i>IRC §7702B(a)(1)</i></p> <p>Limited to lesser of actual premium paid <b>or</b> 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="text-align: center;">Attained age in tax year</th> <th style="text-align: center;">Deductible premium limit</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Age 40 or less</td> <td style="text-align: center;">\$ 410</td> </tr> <tr> <td style="text-align: center;">Age 41 – 50</td> <td style="text-align: center;">\$ 770</td> </tr> <tr> <td style="text-align: center;">Age 51 – 60</td> <td style="text-align: center;">\$1,530</td> </tr> <tr> <td style="text-align: center;">Age 61 – 70</td> <td style="text-align: center;">\$4,090</td> </tr> <tr> <td style="text-align: center;">Age 71 and older</td> <td style="text-align: center;">\$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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<b>HSA &amp; Archer MSA</b>	Eligible LTCI premium is a qualified medical expense. <i>IRC §213(d)(1)(D)</i>	<p><b>Return of premium (non-forfeiture) benefits:</b></p> <ul style="list-style-type: none"> <li>• Available only upon total surrender or death.</li> <li>• May not be borrowed or pledged.</li> <li>• Included in gross income to extent of any deduction or exclusion allowed with respect to premium.</li> </ul> <p><i>IRC §7702B(b)(2)(C)</i></p>												
<b>Employee (W-2)</b> (NON-owner)	<p><b>Premium paid by <u>employee</u></b> (e.g., “voluntary” or payroll deduction):</p> <ul style="list-style-type: none"> <li>• May NOT be paid through cafeteria plan. <i>IRC §125(f)</i></li> <li>• May NOT be paid through FSA or similar arrangement. <i>IRC §106(c)</i></li> <li>• Deductible by employee who itemizes (subject to limitations above)</li> </ul> <p><b>Premium paid by <u>employer</u></b> (ANY business type):</p> <ul style="list-style-type: none"> <li>• Employer provided LTCI treated as accident and health plan. <i>IRC §7702B(a)(3)</i></li> <li>• 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></li> <li>• Total premium excluded from employee’s income (NOT limited to Eligible premium). Not subject to FICA, etc. <i>IRC §106(a)</i></li> <li>• Benefits remain tax-free. (See column to right)</li> </ul>													
<b>C-Corporation Shareholder / Employee (with W-2)</b> • Including PCs and LLCs taxed as a C	Treated as employee. (See above)	<p><b>Linked-Benefit LTCI</b></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>												
<b>“Self-employed” business owners:</b> • 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="text-align: center;">Attained age in tax year</th> <th style="text-align: center;">Deductible premium limit</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Age 40 or less</td> <td style="text-align: center;">\$ 410</td> </tr> <tr> <td style="text-align: center;">Age 41 – 50</td> <td style="text-align: center;">\$ 770</td> </tr> <tr> <td style="text-align: center;">Age 51 – 60</td> <td style="text-align: center;">\$1,530</td> </tr> <tr> <td style="text-align: center;">Age 61 – 70</td> <td style="text-align: center;">\$4,090</td> </tr> <tr> <td style="text-align: center;">Age 71 and older</td> <td style="text-align: center;">\$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	<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>
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*The information contained in this summary is provided with the understanding that it is not to be interpreted as specific tax or legal advice. Neither the Corporation for Certification for Long-Term Care, LLC, nor any of its employees or CLTC® designees are authorized to give legal or tax advice. Individuals are encouraged to seek the guidance of their own qualified tax and/or legal counsel.*

(Rev. November 2016)