

**2018 Federal Tax Summary
Tax-Qualified Long-Term Care Insurance (LTCI)**

Type of Taxpayer	Deduction of Premiums	Taxation of Benefits												
Individual taxpayer who does not itemize deductions	No premium deduction available.	Reimbursement benefits are not included in income. <i>IRC §§104(a)(3), 7702B(a)(2)</i>												
Individual taxpayer who itemizes deductions (Schedule A)	<ul style="list-style-type: none"> ▪ Treated as accident and health insurance. <i>IRC §7702B(a)(1)</i> ▪ Limited to the lesser of actual premium paid or eligible LTCI premium amounts. <i>IRC §§213(d)(1)(D), 213(d)(10)</i> <p align="center">Eligible LTCI premium in 2018:</p> <table border="1" data-bbox="479 499 1161 772"> <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>\$420</td> </tr> <tr> <td>41 – 50</td> <td>\$780</td> </tr> <tr> <td>51 – 60</td> <td>\$1560</td> </tr> <tr> <td>61 – 70</td> <td>\$4160</td> </tr> <tr> <td>Age 71 and older</td> <td>\$5200</td> </tr> </tbody> </table> <ul style="list-style-type: none"> ▪ Medical expense deduction is allowable to extent that such expenses, including payment of eligible LTCI premium, exceed 7.5% of adjusted gross income (AGI). <i>IRC §213(d)(10)</i>. 	Attained Age in Tax Year	Limitation on Premiums	Age 40 or less	\$420	41 – 50	\$780	51 – 60	\$1560	61 – 70	\$4160	Age 71 and older	\$5200	<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 ▪ \$360 per day in 2018 <i>IRC §§7702B(d)(4), 7702B(a)(2), 7702B(d)</i>
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HSA and HRA	Eligible LTCI premium is qualified medical expense. <i>IRC §213(d)(1)(D)</i>													
Employee (W-2) (non-owner)	<p>Premiums paid by employee:</p> <ul style="list-style-type: none"> ▪ Deductible by employee who itemizes, subject to above limits. ▪ May not be paid through cafeteria plan. <i>IRC §125(f)</i> ▪ May not be paid through FSA or similar arrangement. <i>IRC §106(c)</i> <p>Premiums paid by employer (any business type):</p> <ul style="list-style-type: none"> ▪ Employer provided LTCI treated as accident and health plan. <i>IRC §7702B(a)(3)</i> ▪ 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>. ▪ Total LTCI premium paid is excluded from employee's income (not limited to eligible premium). Not subject to FICA, etc. <i>IRC §106(a)</i> ▪ Benefits remain tax-free. See column to right. 	<p>Non-forfeiture benefit (return of premium benefit):</p> <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. <i>IRC §7702B(b)(2)(C)</i> 												
C-Corporation (shareholder/employee with W-2) including PCs and LLCs taxed as a C-Corporation	Treated as employee. (See Employee above.)	<p>Linked-benefit LTCI</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>												
<p>Self-employed owners:</p> <ul style="list-style-type: none"> ▪ Sole proprietor ▪ S-Corporation > than 2% shareholder/employee W-2 ▪ Partner ▪ Member of LLC or PC taxed as any of the above <p>Limited Liability Corporation (LLC) is a legal entity and not a tax filing.</p>	<ul style="list-style-type: none"> ▪ Eligible for Self-Employed health insurance deduction, which is taken "above the line" on Line 29 of IRS Form 1040 (2017). May also include spouse or other eligible tax dependents. <i>IRC §162(f)</i>. ▪ Limited to lesser of actual premium paid or eligible LTCI premium. <i>IRC §§213(d)(1)(D), 213(d)(10)</i>. ▪ Deduction is not limited to 10% of AGI threshold outlined above. 	<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>												