

**CLTC® 2021 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 <b>greater of</b>:</p> <ul style="list-style-type: none"> <li>\$400 per day (2021 indexed), <b>or</b></li> <li>Total qualified LTC expenses. <i>IRC §§104(a)(3), 7702B(a)(2), 7702B(d)</i></li> </ul>											
<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 <b>lesser of</b> 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 2021 (indexed):</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #e1eef6;">Attained age in tax year</th> <th style="background-color: #e1eef6;">Deductible premium limit</th> </tr> </thead> <tbody> <tr> <td style="background-color: #e1eef6;">Age 40 or less</td> <td style="background-color: #e1eef6;">\$ 450</td> </tr> <tr> <td style="background-color: #e1eef6;">Age 41 – 50</td> <td style="background-color: #e1eef6;">\$ 850</td> </tr> <tr> <td style="background-color: #e1eef6;">Age 51 – 60</td> <td style="background-color: #e1eef6;">\$1,690</td> </tr> <tr> <td style="background-color: #e1eef6;">Age 61 – 70</td> <td style="background-color: #e1eef6;">\$4,520</td> </tr> <tr> <td style="background-color: #e1eef6;">Age 71 and older</td> <td style="background-color: #e1eef6;">\$5,640</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 <i>IRC §§213(a), 213(f)</i></p>		Attained age in tax year	Deductible premium limit	Age 40 or less	\$ 450	Age 41 – 50	\$ 850	Age 51 – 60	\$1,690	Age 61 – 70	\$4,520	Age 71 and older
Attained age in tax year	Deductible premium limit												
Age 40 or less	\$ 450												
Age 41 – 50	\$ 850												
Age 51 – 60	\$1,690												
Age 61 – 70	\$4,520												
Age 71 and older	\$5,640												
<b>HSA &amp; HRA</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. <i>IRC §7702B(b)(2)(C)</i></li> </ul>											
<b>Employee (W-2)</b>  (NON-owner)	<p><b>Premium paid by employee</b> (e.g., “voluntary” or payroll deduction):</p> <ul style="list-style-type: none"> <li>May NOT be paid through pre-tax 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 employer</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	<p>Treated as employee. (See above)</p> <p>(NOTE that premiums may NOT reduce or be allocated against any individual’s compensation in any form; the premiums must be a true corporate expense.)</p>	<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> <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. (Separate TQ LTCI continuation rider premiums may be deductible.)</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 – based on how the entity files.</i>	<p>Eligible for Self-Employed Health Insurance Deduction, which is taken “above-the-line” on Form 1040, Schedule 1, Line 16 (2019). 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 LTC premium in 2021 (indexed):</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #e1eef6;">Attained age in tax year</th> <th style="background-color: #e1eef6;">Deductible premium limit</th> </tr> </thead> <tbody> <tr> <td style="background-color: #e1eef6;">Age 40 or less</td> <td style="background-color: #e1eef6;">\$ 450</td> </tr> <tr> <td style="background-color: #e1eef6;">Age 41 – 50</td> <td style="background-color: #e1eef6;">\$ 850</td> </tr> <tr> <td style="background-color: #e1eef6;">Age 51 – 60</td> <td style="background-color: #e1eef6;">\$1,690</td> </tr> <tr> <td style="background-color: #e1eef6;">Age 61 – 70</td> <td style="background-color: #e1eef6;">\$4,520</td> </tr> <tr> <td style="background-color: #e1eef6;">Age 71 and older</td> <td style="background-color: #e1eef6;">\$5,640</td> </tr> </tbody> </table> <p>Deduction is NOT limited to 10% of AGI threshold.</p>		Attained age in tax year	Deductible premium limit	Age 40 or less	\$ 450	Age 41 – 50	\$ 850	Age 51 – 60	\$1,690	Age 61 – 70	\$4,520	Age 71 and older
Attained age in tax year	Deductible premium limit												
Age 40 or less	\$ 450												
Age 41 – 50	\$ 850												
Age 51 – 60	\$1,690												
Age 61 – 70	\$4,520												
Age 71 and older	\$5,640												

*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.*