

**CLTC One Page 2018 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.	<b>Reimbursement</b> benefits are not included in income. <i>IRC§§104(a)(3), 7702B(a)(2)</i>												
<b>Individual taxpayer who itemizes deductions</b> (Schedule A)	Below are the deductibility limits for 2017 and 2018. Amounts above these limits are not considered to be a medical expense. <table border="1" data-bbox="450 398 1025 591"> <thead> <tr> <th>Attained age in tax year</th> <th>Deductible premium limit</th> </tr> </thead> <tbody> <tr> <td>40 or less</td> <td>\$420</td> </tr> <tr> <td>More than 40 but not more than 50</td> <td>\$750</td> </tr> <tr> <td>More than 50 but not more than 60</td> <td>\$1,560</td> </tr> <tr> <td>More than 60 but not more than 70</td> <td>\$4,160</td> </tr> <tr> <td>More than 70</td> <td>\$5,200</td> </tr> </tbody> </table> <p align="center"><small>Source: IRS Revenue Procedure 2016 – 55 (2017 limits) and 2017-58 (2018 limits)</small></p>	Attained age in tax year	Deductible premium limit	40 or less	\$420	More than 40 but not more than 50	\$750	More than 50 but not more than 60	\$1,560	More than 60 but not more than 70	\$4,160	More than 70	\$5,200	<b>Per diem (or indemnity)</b> benefits are not included in income except amounts that exceed the <u>greater of</u> : <ul style="list-style-type: none"> <li>\$360 per day (2017 indexed), or</li> <li>Total qualified LTC expenses.</li> </ul> <i>IRC §§104(a)(3), 7702B(a)(2), 7702B(d)</i>
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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>	<b>Return of premium (nonforfeiture) benefits:</b>												
<b>Employee (W-2)</b> (NON-owner)	<b>Premium paid by employee</b> (e.g., “voluntary” or payroll deduction): <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 (<i>subject to limitations above</i>)</li> </ul> <b>Premium paid by employer</b> (ANY business type): <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. (<i>See column to right</i>)</li> </ul>	<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> <i>IRC §7702B(b)(2)(C)</i>												
<b>C-Corporation Shareholder / Employee (with W-2)</b> <ul style="list-style-type: none"> <li>Including PCs and LLCs taxed as a Cv</li> </ul>	<ul style="list-style-type: none"> <li><i>Treated as employee. (See above)</i></li> </ul>	<p align="center"><b>Linked-Benefit LTCI</b></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>												
<b>C-Corporation Shareholder / Employee (with W-2)</b> <ul style="list-style-type: none"> <li>Sole Proprietor</li> <li>Partner</li> <li>S-Corporation &gt;2% shareholder/employee (W-2)</li> <li>Member of a LLC or PC taxed as any of above</li> </ul> <p><i>NOTE: Limited Liability Corporation (LLC) is a legal, not tax, entity – ask how the entity files.</i></p>	Below are the deductibility limits for 2017 and 2018. Amounts above these limits are not considered to be a medical expense. <table border="1" data-bbox="450 1570 1025 1762"> <thead> <tr> <th>Attained age in tax year</th> <th>Deductible premium limit</th> </tr> </thead> <tbody> <tr> <td>40 or less</td> <td>\$420</td> </tr> <tr> <td>More than 40 but not more than 50</td> <td>\$750</td> </tr> <tr> <td>More than 50 but not more than 60</td> <td>\$1,560</td> </tr> <tr> <td>More than 60 but not more than 70</td> <td>\$4,160</td> </tr> <tr> <td>More than 70</td> <td>\$5,200</td> </tr> </tbody> </table> <p align="center"><small>Source: IRS Revenue Procedure 2016 – 55 (2017 limits) and 2017-58 (2018 limits)</small></p>	Attained age in tax year	Deductible premium limit	40 or less	\$420	More than 40 but not more than 50	\$750	More than 50 but not more than 60	\$1,560	More than 60 but not more than 70	\$4,160	More than 70	\$5,200	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>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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