



WHO CAN I TRUST TO HELP ME MAXIMIZE LONG-TERM CARE INSURANCE TAX BENEFITS?

It is always sound advice to work with those who have made a commitment to their profession. In the field of long-term care planning, those who have achieved the CLTC® designation have the skills necessary to work with your CPA to make the best use of the tax code.

CLTC® stands for Certified in Long Term Care. Graduates have completed a rigorous multidisciplinary course that focuses on the profession of long-term care planning, not the selling of insurance products.

The information contained within is provided with the understanding that it is not to be interpreted as specific legal or tax advice. Neither Certification for Long-Term Care (CLTC) nor any of its employees or representatives is authorized to give legal or tax advice. Individuals are encouraged to seek the guidance of their own personal legal or tax counsel.

LONG-TERM CARE INSURANCE

The value of long-term care insurance is its ability to protect the emotional, physical, and financial well-being of your family should you ever become frail and need care over a period of years. It provides a stream of income that pays for that assistance, allowing those you love to supervise rather than provide physical care—a great relief during a truly difficult time. Talk to anyone who has had experience with long-term care and he or she will tell you that providing direct care can be very emotionally and physically stressful.

Since care is now paid for, there is no need to reallocate your income, which means it remains in place to pay for the financial commitments you have taken into retirement. Perhaps just as important, your investment portfolio remains intact, which (A) allows your tax plan to execute properly, and (B) preserves the estate for the surviving spouse and or children.

What follows is a summary of the unique tax advantages long-term care insurance offers to business owners and/or their employees.

ELIGIBLE LTCI PREMIUM

Following are the deductibility limits for 2023. Any premium amounts for the year above these limits are not considered to be a medical expense.

Attained age in tax year	Deductible premium limit
Age 40 or less	\$ 480
Age 41 - 50	\$ 890
Age 51 - 60	\$1,790
Age 61 - 70	\$4,770
Age 71 and older	\$5,960

TAX BENEFITS OF TAX-QUALIFIED POLICIES

- » Premiums are deductible depending on the type of taxpayer.
- » Benefits paid are generally tax-free. IRC 7702(a)(2), 7702B(d), 105(b)
- » Per diem (indemnity) benefits are not included in income, except those amounts which exceed the greater of: total qualified LTC expense or \$420/day (2023). IRC §§7702B(d)(4), 7702B(a)(2), 7702B(d)
- » Eligible LTC premiums can be paid tax-free from a Health Savings Account (HSA)
- » The deductible amount for individual taxpayers is called the Eligible Long-Term Care Premium and is included among Eligible Medical Expenses. IRC 213(d)(10)

THE NEXT STEP

If these few minutes have caused you to look at long-term care differently, then it is time to take the next step.

As a CLTC® professional, I have the experience and expertise to work with you and your other advisors to create a plan that protects the emotional, physical, and financial well-being of your family.

Tax Benefits for Business Owners
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TAX BENEFITS FOR BUSINESS OWNERS WHO PURCHASE LONG-TERM CARE INSURANCE

A Summary of Unique Opportunities Offered by the Tax Code



THE NEXT STEP
2023 EDITION

INDIVIDUAL TAXPAYER

The Eligible Premium is based on your age as of 12/31 in the tax year being filed.

TQ LTCI premiums up to the Eligible amount can be added to Schedule A as a medical expense. However, only total medical expenses, including Eligible LTCI premiums, in excess of 7.5% of your Adjusted Gross Income are deductible. Please review the code to determine eligibility. IRC 213(d) (10)

Your Eligible Premium can be paid from a Health Savings Account or a Health Reimbursement Account without itemizing and without being reduced by the AGI exclusion. IRC 223(d)(2)(A), IRC Notice 2002-45 for HSA

Your employer can pay the actual premium for your LTCi policy and the premiums are excluded from your income. Benefits are also tax-free.

SOLE PROPRIETORS

Your company can pay the actual LTCi premium, but it must be accounted for as an income draw.

The actual premium paid, therefore, is part of your taxable business income reported on 1040 and is subject to self-employment tax. IRC 162(l)(2)(c), 213(d)

The Eligible Premium based on your age is deducted "above-the-line" on Form 1040 as part of the "Self employed health insurance deduction" the balance, if any, is taxable income.

You can deduct the Eligible Premium for your spouse and tax dependents. IRC 162(l)(2)(c), 213(d)
You can deduct the premiums paid for employees from business income. IRC 162(a)(1)

If paying premiums for employees, the sole proprietor can discriminate by class, offering LTCi to some employee classes but not others. 100% of the premium without limit is a deductible business expense if paid for a non-owner employee.



PARTNERSHIPS

Your company can pay the actual LTCi premium, but it must be accounted for as income as a guaranteed payment on a partner's K-1.

The actual premium paid, therefore, is part of your taxable business income reported on 1040 and is subject to self-employment tax. IRC 162(l)(2)(c), 213(d)

The Eligible Premium based on your age is deducted "above-the-line" on 1040 as part of the self-employed health insurance deduction; the balance, if any, is taxable income.

If paying premiums for employees, a partnership can discriminate by class, offering LTCi to some employee classes but not others. 100% of the premium without limit is a deductible business expense if paid for a non-partner employee.

The partnership can discriminate by class, offering LTCi to some employee classes but not others. Treasury Regulation 1.105-5,1.106-1

S-CORPORATIONS

Your company can pay and deduct the actual LTCi premium for >2% shareholder/employees.

The actual premium, however, is considered income and is reported on your W-2 as salary and is subject to self-employment tax. Revenue Ruling 91-26/Notice 2008.1

The Eligible Premium based on your age is deducted "above-the-line" on 1040 as part of the self-employed health insurance deduction; the balance, if any, is taxable income.

You can deduct the Eligible Premium for your spouse and tax dependents. IRC 162(l)(2)(c), 213(d)

If paying premiums for employees, a S-corp can discriminate by class, offering LTCi to some employee classes but not others. 100% of the premium without limit is a deductible business expense if paid for a non-shareholder employee.

C-CORPORATIONS

100% of the actual premium is deductible as an ordinary business expense for all shareholder/employees, regardless of percentage of ownership. IRC 162(a)

The company can also deduct 100% of premiums paid for an employee's spouse and the couple's tax dependents, whether or not they are considered employees. IRC 162(l), 162(l)(2)(C), 213(d)

The premium is excluded from the employee's income and therefore is not subject to Federal Income. Tax withholding, Social Security, Medicare and Federal Unemployment Taxes. IRC 106(a), 105(b)

Company can deduct the premiums paid for non-owner employees from business income without limit. IRC 162(a)(1)

Company can discriminate by class, offering LTCi to some employee classes but not others. Treasury Regulation 1.105-5,1.106-1