

# CLTC® 2023 Tax Summary

## Tax-Qualified Long-Term Care Insurance (LTCI)

Type of Taxpayer	Premium Deduction (Traditional Policies)												
<b>Individual taxpayer who does NOT itemize</b>	<b>No deduction.</b>												
<b>Individual taxpayer who itemizes deductions</b>  (Schedule A)	<p style="text-align: center;"><b>Treated as accident and health insurance.</b> <i>IRC §7702B(a)(1)</i></p> <p style="text-align: center;"><b>Limited to <u>lesser of actual premium paid or eligible LTCI premium.</u></b> <i>IRC §§213(d)(1)(D), 213(d)(10)</i></p> <p style="text-align: center;"><b>Eligible LTC premium in 2023 (indexed):</b></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="background-color: #1a3d54; color: white;">Attained age in tax year</th> <th style="background-color: #1a3d54; color: white;">Deductible premium limit</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Age 40 or less</td> <td style="text-align: center;">\$ 480</td> </tr> <tr> <td style="text-align: center;">Age 41 – 50</td> <td style="text-align: center;">\$ 890</td> </tr> <tr> <td style="text-align: center;">Age 51 – 60</td> <td style="text-align: center;">\$1,790</td> </tr> <tr> <td style="text-align: center;">Age 61 – 70</td> <td style="text-align: center;">\$4,770</td> </tr> <tr> <td style="text-align: center;">Age 71 and older</td> <td style="text-align: center;">\$5,960</td> </tr> </tbody> </table> <p style="text-align: center;"><b>Medical expense deduction is allowable to extent that such expenses (including payment of Eligible LTCI premium) exceed 7.5% of AGI</b> <i>IRC §§213(a), 213(f)</i></p>	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
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<b>HSA, HRA &amp; MSA</b>	<b>Eligible LTCI premium is a qualified medical expense.</b> <i>IRC §223(d)(2)(A), 213(d)(1)(D) IRC §213(d)(1)(D)</i>												
<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 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 <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> </ul>												
<b>C-Corporation Shareholder / Employee (with W-2)</b>  Including PCs and LLCs taxed as a C-corporation.	<b>Treated as employee.</b> (See above)  (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><b>“Self-employed” business owners:</b></p> <p>Sole Proprietor, Partner, S-Corporation &gt;2% Shareholder / employee (W-2). Member of an LLC or PC taxed as any of above.</p> <p><i>NOTE: Limited Liability Corporation (LLC) is a legal, not tax, entity – based on how the entity files.</i></p>	<p><b>Eligible for Self-Employed Health Insurance Deduction, which is taken “above-the-line” on Line 17 of IRS Form 1040 Schedule 1 (2021). May also include spouse or other eligible tax dependents. <i>IRC §162(l)</i></b></p> <p><b>Limited to lesser of actual premium paid or Eligible LTCI premium. <i>IRC §§213(d)(1)(D), 213(d)(10)</i></b></p> <p><b>For eligible LTCI premium in 2023 see above chart; Deduction is NOT limited to 7.5% of AGI threshold.</b></p>
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## Taxation of Benefits

**Reimbursement** benefits are not included in income.

*IRC §§104(a)(3), 7702B(a)(2)*

**Per diem (or indemnity)** benefits are not included in income except amounts that exceed the greater of:

- \$420 per day (2023 indexed), or
- Total qualified LTC expenses.

*IRC §§104(a)(3), 7702B(a)(2), 7702B(d)*

**Return of premium (non-forfeiture) benefits:**

- 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.

*IRC §7702B(b)(2)(C)*

### Linked-Benefit LTCI

LTC benefits paid from a Tax-Qualified (7702B) annuity or life insurance “linked benefit” plan are tax-free as noted above. *IRC §7702B(e)*

Cash surrenders from a LTCI linked-benefit plan that paid LTCI benefits may have a reduced cost-basis. *IRC §72(e)(11)*

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Premium payments for annuity or life insurance benefits in linked-benefit LTCI plans are NOT deductible. (Separate TQ LTCI continuation rider premiums may be deductible.)

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