

## 2024-25 Tax Summary Tax-Qualified Long-Term Care Insurance (LTCI)

Taxation 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 greater of:</p> <ul style="list-style-type: none"> <li>• \$410 (2024) / \$420 (2025) per day (indexed), <u>or</u></li> <li>• Total qualified LTC expenses.</li> </ul> <p><i>IRC §§104(a)(3), §7702B(a)(2), §7702B(d)</i></p>																	
<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 <u>lesser</u> of actual premium paid <u>or</u> eligible LTCI premium. <i>IRC §§213(d)(1)(D), 213(d)(10)</i></p> <p>Eligible LTC premium (indexed):</p> <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr style="background-color: #f2f2f2;"> <th>Attained age in tax year</th> <th>Deductible premium limit (2024)</th> <th>Deductible premium limit (2025)</th> </tr> </thead> <tbody> <tr> <td>Age 40 or less</td> <td>\$470</td> <td>\$480</td> </tr> <tr> <td>Age 41-50</td> <td>\$880</td> <td>\$900</td> </tr> <tr> <td>Age 51-60</td> <td>\$1,760</td> <td>\$1,800</td> </tr> <tr> <td>Age 61-70</td> <td>\$4,710</td> <td>\$4,810</td> </tr> <tr> <td>Age 71 and older</td> <td>\$5,880</td> <td>\$6,020</td> </tr> </tbody> </table> <p><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 (2024)	Deductible premium limit (2025)	Age 40 or less	\$470	\$480	Age 41-50	\$880	\$900	Age 51-60	\$1,760	\$1,800	Age 61-70	\$4,710	\$4,810	Age 71 and older	\$5,880
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<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.</li> </ul> <p><i>IRC §7702B(b)(2)(C)</i></p>																	
<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>• <b>Benefits remain tax-free. (See column to right)</b></li> </ul>																		
<b>C-Corporation Shareholder/Employee (with W-2)</b> Including PCs and LLCs taxed as a C-corp	<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 style="text-align: center;"><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. <b>(Separate Tax Qualified LTCI continuation rider premiums may be deductible depending on your product or state.)</b></p>																	
<p><b>“Self-employed” business owners:</b></p> <ul style="list-style-type: none"> <li>• Sole Proprietor</li> <li>• Partner</li> <li>• S-Corporation &gt;2% shareholders/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 – based on how the entity files.</i></p>	<p>Eligible for Self-Employed Health Insurance Deduction, which is taken “above the line” on Form 1040, Schedule 1, Line 17. 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>For eligible LTCI premium in 2023 see above chart; Deduction is NOT limited to 7.5% of AGI threshold.</p>																		

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