

2025-26 Federal Tax Summary Tax-Qualified Long-Term Care Insurance (LTCI)

Taxation of Taxpayer	Premium Deduction (Traditional Policies)	Taxation of Benefits																	
Individual taxpayer who does NOT itemize	No deduction.	<p>Reimbursement benefits are not included in income. <i>IRC §§104(a)(3), §7702B(a)(2)</i></p> <p>Per diem (or indemnity) benefits are not included in income except amounts that exceed the greater of:</p> <ul style="list-style-type: none"> • \$420 (2025) / \$430 (2026) per day (indexed), or • Total qualified LTC expenses. <p><i>IRC §§104(a)(3), §7702B(a)(2), §7702B(d) IRS Revenue Procedure 2025-32</i></p>																	
Individual taxpayer who itemizes deductions (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 or 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%; text-align: center;"> <thead> <tr> <th>Attained age in tax year</th> <th>Deductible premium limit (2025)</th> <th>Deductible premium limit (2026)</th> </tr> </thead> <tbody> <tr> <td>Age 40 or less</td> <td>\$480</td> <td>\$500</td> </tr> <tr> <td>Age 41-50</td> <td>\$900</td> <td>\$930</td> </tr> <tr> <td>Age 51-60</td> <td>\$1,800</td> <td>\$1,860</td> </tr> <tr> <td>Age 61-70</td> <td>\$4,810</td> <td>\$4,960</td> </tr> <tr> <td>Age 71 and older</td> <td>\$6,020</td> <td>\$6,200</td> </tr> </tbody> </table> <p>Medical expense deduction is allowable to extent that such expenses (including payment of Eligible LTCI premium) exceed 7.5% of AGI <i>IRC §§213(a), 213(f)</i></p>		Attained age in tax year	Deductible premium limit (2025)	Deductible premium limit (2026)	Age 40 or less	\$480	\$500	Age 41-50	\$900	\$930	Age 51-60	\$1,800	\$1,860	Age 61-70	\$4,810	\$4,960	Age 71 and older	\$6,020
Attained age in tax year	Deductible premium limit (2025)	Deductible premium limit (2026)																	
Age 40 or less	\$480	\$500																	
Age 41-50	\$900	\$930																	
Age 51-60	\$1,800	\$1,860																	
Age 61-70	\$4,810	\$4,960																	
Age 71 and older	\$6,020	\$6,200																	
HSA & HRA	Eligible LTCI premium is a qualified medical expense <i>IRC §213(d)(1)(D)</i>	<p>Return of premium (non-forfeiture) benefits:</p> <ul style="list-style-type: none"> • 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. <p><i>IRC §7702B(b)(2)(C)</i></p>																	
Employee (W-2) (NON-Owner)	<p>Premium paid by employee (e.g., “voluntary” or payroll deduction):</p> <ul style="list-style-type: none"> • May NOT be paid through pre-tax cafeteria plan. <i>IRC §125(f)</i> • May NOT be paid through FSA or similar arrangement. <i>IRC §106(c)</i> • Deductible by employee who itemizes (subject to limitations above) <p>Premium paid by employer (ANY business type):</p> <ul style="list-style-type: none"> • Employer provided LTCI treated as accident and health plan. <i>IRC §7702B(a)(3)</i> • 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> • Total premium excluded from employee’s income (NOT limited to Eligible premium). Not subject to FICA, etc. <i>IRC §106(a)</i> • Benefits remain tax-free. (See column to right) 																		
C-Corporation Shareholder/Employee (with W-2) Including PCs and LLCs taxed as a C-corp	Treated as employee. (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 style="text-align: center;">Linked-Benefit LTCI</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 Tax Qualified LTCI continuation rider premiums may be deductible depending on your product or state.)</p>																	
“Self-employed” business owners:	<ul style="list-style-type: none"> • Sole Proprietor • Partner • S-Corporation >2% shareholders/employee (W-2) • Member of a LLC or PC taxed as any of above <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>																		
Note: Limited Liability Corporation (LLC) is a legal, not tax, entity – based on how the entity files.																			

©2025-26 CLTC, Inc.

The information contained in this summary is provided with the understanding that 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.

