

CLTC® 2021/2022 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.													
Individual taxpayer who itemizes deductions (Schedule A)	Treated as accident and health insurance. <i>IRC §7702B(a)(1)</i> Limited to lesser of actual premium paid or eligible LTCI premium. <i>IRC §§213(d)(1)(D), 213(d)(10)</i> Eligible LTC premium in 2021-22 (indexed): <table border="1" style="margin: 5px auto; border-collapse: collapse; text-align: center;"> <thead> <tr style="background-color: #d3d3d3;"> <th>Attained age in tax year</th> <th>Deductible premium limit</th> </tr> </thead> <tbody> <tr> <td>Age 40 or less</td> <td>\$450</td> </tr> <tr> <td>Age 41-50</td> <td>\$850</td> </tr> <tr> <td>Age 51-60</td> <td>\$1,690</td> </tr> <tr> <td>Age 61-70</td> <td>\$4,520</td> </tr> <tr> <td>Age 71 and older</td> <td>\$5,640</td> </tr> </tbody> </table> Medical expense deduction is allowable to extent that such expenses (including payment of Eligible LTCI premium) exceed 10% of AGI <i>IRC §§213(a), 213(f)</i>	Attained age in tax year	Deductible premium limit	Age 40 or less	\$450	Age 41-50	\$850	Age 51-60	\$1,690	Age 61-70	\$4,520	Age 71 and older	\$5,640	Reimbursement benefits are not included in income. <i>IRC §§104(a)(3), §7702B(a)(2)</i> Per diem (or indemnity) benefits are not included in income except amounts that exceed that greater of: <ul style="list-style-type: none"> • \$400 per day (2021 indexed), or • Total qualified LTC expenses. <i>IRC §§104(a)(3), §7702B(a)(2), §7702B(d)</i>
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HSA & HRA	Eligible LTCI premium is a qualified medical expense <i>IRC §§213(d)(1)(D)</i>													
Employee (W-2) (NON-Owner)	Premium paid by employee (e.g., “voluntary” or payroll deduction): <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) Premium paid by employer (ANY business type): <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) 	Return of premium (non-forfeiture) benefits: <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. <i>IRC §7702B(b)(2)(C)</i>												
C-Corporation Shareholder/Employee (with W-2) <ul style="list-style-type: none"> • Including PCs and LLCs taxed as a C 	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; margin: 0;">Linked-Benefit LTCI</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> Cash surrenders from a LTCI linked-benefit plan that paid LTCI benefits may have a reduced cost-basis. <i>IRC §72(e)(11)</i> Premium payments for annuity or life insurance linked-benefit LTCI plans are NOT deductible. (Separate TQ LTCI continuation rider premiums may be deductible)												
“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 Note: Limited Liability Corporation (LLC) is a legal, not tax, entity – based on how the entity files.	Eligible for Self-Employed Health Insurance Deduction, which is taken “above the line” on Form 1040, Schedule 1, Line 16 (2019). May also include spouse or other eligible tax dependents. <i>IRC §162(l)</i> Limited to lesser of actual premium paid or Eligible LTCI premium. <i>IRC §§213(d)(1)(D), 213(d)(10)</i> Eligible LTC premium in 2021-22 (indexed): <table border="1" style="margin: 5px auto; border-collapse: collapse; text-align: center;"> <thead> <tr style="background-color: #d3d3d3;"> <th>Attained age in tax year</th> <th>Deductible premium limit</th> </tr> </thead> <tbody> <tr> <td>Age 40 or less</td> <td>\$450</td> </tr> <tr> <td>Age 41-50</td> <td>\$850</td> </tr> <tr> <td>Age 51-60</td> <td>\$1,690</td> </tr> <tr> <td>Age 61-70</td> <td>\$4,520</td> </tr> <tr> <td>Age 71 and older</td> <td>\$5,640</td> </tr> </tbody> </table> Deduction is NOT limited to 10% of AGI threshold.	Attained age in tax year	Deductible premium limit	Age 40 or less	\$450	Age 41-50	\$850	Age 51-60	\$1,690	Age 61-70	\$4,520	Age 71 and older	\$5,640	
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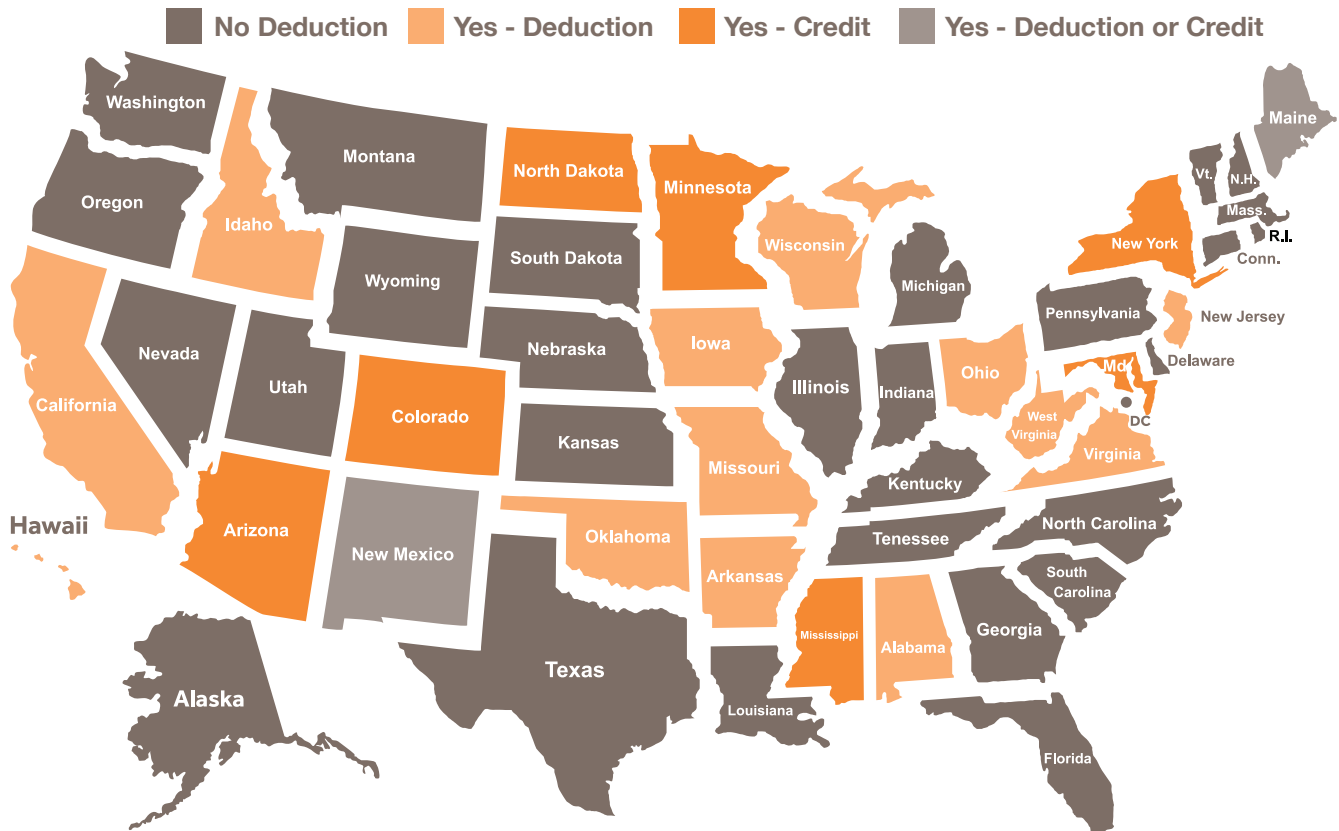
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STATE-LEVEL TAX INCENTIVES FOR INDIVIDUALS

Several states offer tax incentives that encourages the purchase of long-term care insurance. These incentives are usually offered in the form of a tax credit or deduction and are in addition to the Federal individual tax incentives described above.

This information is based on our understanding of applicable law, which is subject to change. These state tax incentives are subject to conditions and/or limitations under applicable law. Consult your tax advisor, your state Department of Taxation, or your state Department of Health and Human Services for details about potentially available state-specific tax credits or tax deductions.



AK	No	No Deduction	KY	No	No Deduction	NY	Yes	Credit
AL	Yes	Deduction	LA	No	No Deduction	OH	Yes	Deduction
AR	Yes	Deduction	MA	No	No Deduction	OK	Yes	Deduction
AZ	Yes	Credit	MD	Yes	Credit	OR	No	No Deduction
CA	Yes	Deduction	ME	Yes	Deduction or Credit	PA	No	No Deduction
CO	Yes	Credit	MI	No	No Deduction	RI	No	No Deduction
CT	No	No Deduction	MN	Yes	Credit	SC	No	No Deduction
DC	No	No Deduction	MO	Yes	Deduction	SD	No	No Deduction
DE	No	No Deduction	MS	Yes	Credit	TN	No	No Deduction
FL	No	No Deduction	MT	Yes	Deduction or Credit	TX	No	No Deduction
GA	No	No Deduction	NC	No	No Deduction	UT	No	No Deduction
HI	Yes	Deduction	ND	Yes	Credit	VA	Yes	Deduction
IA	Yes	Deduction	NE	No	No Deduction	VT	No	No Deduction
ID	Yes	Deduction	NH	No	No Deduction	WA	No	No Deduction
IL	No	No Deduction	NJ	Yes	Deduction	WI	Yes	Deduction
IN	No	No Deduction	NM	Yes	Deduction or Credit	WV	Yes	Deduction
KS	No	No Deduction	NV	No	No Deduction	WY	No	No Deduction