

CLTC® 2025 Tax Summary

Tax-Qualified Long-Term Care Insurance (LTCI)

Type of Taxpayer	Premium Deduction (Traditional Policies)												
Individual taxpayer who does NOT itemize	No deduction.												
Individual taxpayer who itemizes deductions (Schedule A)	<p>Treated as accident and health insurance. <i>IRC §7702B(a)(1)</i> Limited to lesser of actual premium paid or eligible L TCI premium. <i>IRC §§213(d)(1)(D), 213(d)(10)</i></p> <p>Eligible LTC premium in 2025 (indexed):</p> <table> <tr> <th>Attained age in tax year</th><th>Deductible premium limit</th></tr> <tr> <td>Age 40 or less</td><td>\$480</td></tr> <tr> <td>Age 41 - 50</td><td>\$900</td></tr> <tr> <td>Age 51 - 60</td><td>\$1,800</td></tr> <tr> <td>Age 61 - 70</td><td>\$4,810</td></tr> <tr> <td>Age 71 and older</td><td>\$6,020</td></tr> </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	Age 40 or less	\$480	Age 41 - 50	\$900	Age 51 - 60	\$1,800	Age 61 - 70	\$4,810	Age 71 and older	\$6,020
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HSA, HRA & MSA	<p>Eligible LTCI premium is a qualified medical expense. <i>IRC §213(d)(1)(D)</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 additional content on pg. 2) 												
C-Corporation Shareholder Employee (with W-2) Including PCs and LLCs taxed as a C- corporation.	<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>“Self-employed” business owners:</p> <p>Sole Proprietor, Partner, S-Corporation >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>Eligible for Self-Employed Health Insurance Deduction, which is taken “above-the-line” on Line 17 of IRS Form 1040 Schedule 1 (2023). 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 2025 see above chart; Deduction is NOT limited to 7.5% of AGI threshold.</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 for amounts that exceed:

- \$420 per day (2025 indexed), or
- Total qualified LTC expenses.

IRC §§104(a)(3), 7702B(a)(2), 7702B(d) IRS Revenue Procedure 2023-34

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)*

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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