

## CLTC® 2025 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 (Schedule A)</b>	<p><b>Treated as accident and health insurance.</b>  <i>IRC §7702B(a)(1)</i></p> <p><b>Limited to <u>lesser of</u> actual premium paid or eligible LTCI premium.</b>  <i>IRC §§213(d)(1)(D), 213(d)(10)</i></p> <p style="text-align: center;"><b>Eligible LTC premium in 2025 (indexed):</b></p> <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th style="width: 50%;">Attained age in tax year</th><th style="width: 50%;">Deductible premium limit</th></tr> </thead> <tbody> <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> </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	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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<b>HSA, HRA &amp; MSA</b>	<b>Eligible LTCI premium is a qualified medical expense.</b> <i>IRC §213(d)(1)(D)</i>												
<b>Employee (W-2) (NON-owner)</b>	<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 (ANY business type):</b></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>• Benefits remain tax-free (See additional content on pg. 2)</li> </ul>												
<b>C-Corporation Shareholder / Employee (with W-2)</b> Including PCs and LLCs taxed as a C-corporation.	<b>Treated as employee. (See above)</b> <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><b>“Self-employed” business owners:</b> 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 (2023). May also include spouse or other eligible tax dependents.</b> <i>IRC §162(l)</i></p> <p><b>Limited to lesser of actual premium paid or Eligible LTCI premium.</b> <i>IRC §§213(d)(1)(D), 213(d)(10)</i></p> <p><b>For eligible LTCI premium in 2025 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 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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