

**CLTC One Page 2019 Tax Summary
Tax-Qualified Long-Term Care Insurance (LTCI)**

Type of Taxpayer	Premium Deduction (Traditional Policies)	Taxation of Benefits												
Individual taxpayer who does NOT itemize	No deduction.	Reimbursement benefits are not included in income. <i>IRC §§ 104(a)(3), 7702B(a)(2)</i>												
Individual taxpayer who itemizes deductions (Schedule A)	Following are the deductibility limits for 2019. Any premium amounts for the year above these limits are not considered to be a medical expense. <table border="1" data-bbox="472 447 1114 644" style="margin: 10px auto;"> <thead> <tr> <th>Attained age before the close of the taxable year</th> <th>Deductible premium limit</th> </tr> </thead> <tbody> <tr> <td>40 or less</td> <td>\$420</td> </tr> <tr> <td>More than 40 but not more than 50</td> <td>\$790</td> </tr> <tr> <td>More than 50 but not more than 60</td> <td>\$1,580</td> </tr> <tr> <td>More than 60 but not more than 70</td> <td>\$4,220</td> </tr> <tr> <td>More than 70</td> <td>\$5,270</td> </tr> </tbody> </table>	Attained age before the close of the taxable year	Deductible premium limit	40 or less	\$420	More than 40 but not more than 50	\$790	More than 50 but not more than 60	\$1,580	More than 60 but not more than 70	\$4,220	More than 70	\$5,270	Per diem (or indemnity) benefits are not included in income except amounts that exceed the <u>greater of</u> : <ul style="list-style-type: none"> • \$370 per day (2018 indexed), or • Total qualified LTC expenses. <i>IRC §§ 104(a)(3), 7702B(a)(2), 7702B(d)</i>
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HSA & Archer MSA	Eligible LTCI premium is a qualified medical expense. <i>IRC § 213(d)(1)(D)</i>	Return of premium (nonforfeiture) benefits:												
Employee (W-2) (NON-owner)	Premium paid by <u>employee</u> (e.g., “voluntary” or payroll deduction): <ul style="list-style-type: none"> • May NOT be paid through 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 (<i>subject to limitations above</i>) Premium paid by <u>employer</u> (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. (<i>See column to right</i>) 	<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)													
“Self-employed” business owners: <ul style="list-style-type: none"> • Sole Proprietor • Partner • S-Corporate > 2% shareholder / employee (W-2) • Member of a LLC or PC taxed as any of above <p><i>NOTE: Limited Liability Corporate (LLC) is a legal, not tax, entity - ask how the entity files.</i></p>	Following are the deductibility limits for 2019. Any premium amounts for the year above these limits are not considered to be a medical expense. <table border="1" data-bbox="472 1745 1114 1942" style="margin: 10px auto;"> <thead> <tr> <th>Attained age before the close of the taxable year</th> <th>Deductible premium limit</th> </tr> </thead> <tbody> <tr> <td>40 or less</td> <td>\$420</td> </tr> <tr> <td>More than 40 but not more than 50</td> <td>\$790</td> </tr> <tr> <td>More than 50 but not more than 60</td> <td>\$1,580</td> </tr> <tr> <td>More than 60 but not more than 70</td> <td>\$4,220</td> </tr> <tr> <td>More than 70</td> <td>\$5,270</td> </tr> </tbody> </table>	Attained age before the close of the taxable year	Deductible premium limit	40 or less	\$420	More than 40 but not more than 50	\$790	More than 50 but not more than 60	\$1,580	More than 60 but not more than 70	\$4,220	More than 70	\$5,270	<p align="center"><u>Linked-Benefit LTCI</u></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. (Separately-billed TQ LTCI riders may be deductible.)</p>
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