

| 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) | Below are the deductibility limits for 2017 and 2018. Amounts above these limits are not considered to be a medical expense. <table border="1" data-bbox="483 426 1101 632"> <thead> <tr> <th>Attained age in tax 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>\$750</td> </tr> <tr> <td>More than 50 but not more than 60</td> <td>\$1,560</td> </tr> <tr> <td>More than 60 but not more than 70</td> <td>\$4,160</td> </tr> <tr> <td>More than 70</td> <td>\$5,200</td> </tr> </tbody> </table> <p align="center"><small>Source: IRS Revenue Procedure 2016 – 55 (2017 limits) and 2017-58 (2018 limits)</small></p> | Attained age in tax year | Deductible premium limit | 40 or less | \$420 | More than 40 but not more than 50 | \$750 | More than 50 but not more than 60 | \$1,560 | More than 60 but not more than 70 | \$4,160 | More than 70 | \$5,200 | Per diem (or indemnity) benefits are not included in income except amounts that exceed the greater of: <ul style="list-style-type: none"> \$360 per day (2017 indexed), or Total qualified LTC expenses. <i>IRC §§ 104(a)(3), 7702B(a)(2), 7702B(d)</i> |
| Attained age in tax year | Deductible premium limit | | | | | | | | | | | | | |
| 40 or less | \$420 | | | | | | | | | | | | | |
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| More than 60 but not more than 70 | \$4,160 | | | | | | | | | | | | | |
| More than 70 | \$5,200 | | | | | | | | | | | | | |
| 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 employee (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 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. (<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 Cv | <ul style="list-style-type: none"> Treated as employee. (<i>See above</i>) | <p align="center">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> | | | | | | | | | | | | |
| C-Corporation Shareholder / Employee (with W-2) <ul style="list-style-type: none"> Sole Proprietor Partner S-Corporation >2% shareholder/employee (W-2) Member of a LLC or PC taxed as any of above <p><i>NOTE: Limited Liability Corporation (LLC) is a legal, not tax, entity – ask how the entity files.</i></p> | Below are the deductibility limits for 2017 and 2018. Amounts above these limits are not considered to be a medical expense. <table border="1" data-bbox="483 1686 1101 1892"> <thead> <tr> <th>Attained age in tax 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>\$750</td> </tr> <tr> <td>More than 50 but not more than 60</td> <td>\$1,560</td> </tr> <tr> <td>More than 60 but not more than 70</td> <td>\$4,160</td> </tr> <tr> <td>More than 70</td> <td>\$5,200</td> </tr> </tbody> </table> <p align="center"><small>Source: IRS Revenue Procedure 2016 – 55 (2017 limits) and 2017-58 (2018 limits)</small></p> | Attained age in tax year | Deductible premium limit | 40 or less | \$420 | More than 40 but not more than 50 | \$750 | More than 50 but not more than 60 | \$1,560 | More than 60 but not more than 70 | \$4,160 | More than 70 | \$5,200 | 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>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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