

Type of Taxpayer	Premium Deduction (Traditional Policies)	Taxation of Benefits												
<b>Individual taxpayer who does NOT itemize</b>	No deduction.	<b>Reimbursement</b> benefits are not included in income. <i>IRC§§104(a)(3), 7702B(a)(2)</i>												
<b>Individual taxpayer who itemizes deductions</b>  (Schedule A)	Treated as accident and health insurance. <i>IRC §7702B(a)(1)</i> Limited to lesser of actual premium paid or eligible LTC premium. <i>IRC §§213(d)(1)(D), 213(d)(10)</i> <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>\$470</td> </tr> <tr> <td>More than 40 but not more than 50</td> <td>\$880</td> </tr> <tr> <td>More than 50 but not more than 60</td> <td>\$1,760</td> </tr> <tr> <td>More than 60 but not more than 70</td> <td>\$4,710</td> </tr> <tr> <td>More than 70</td> <td>\$5,880</td> </tr> </tbody> </table> Individuals can deduct their medical expenses to the extent that the expenses exceed 10% of the individual's adjusted gross income.	Attained age in tax year	Deductible premium limit	40 or less	\$470	More than 40 but not more than 50	\$880	More than 50 but not more than 60	\$1,760	More than 60 but not more than 70	\$4,710	More than 70	\$5,880	<b>Per diem (or indemnity)</b> benefits are not included in income except amounts that exceed the greater of: <ul style="list-style-type: none"> <li>• \$410 per day (in 2024), or</li> <li>• Total qualified LTC expenses.</li> </ul> <i>IRC §§104(a)(3), 7702B(a)(2), 7702B(d)</i>
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<b>HSA &amp; Archer MSA</b>	Eligible LTCI premium is a qualified medical expense. <i>IRC §213(d)(1)(D)</i>	<b>Return of premium (nonforfeiture) benefits:</b>												
<b>Employee (W-2)</b> (NON-owner)	<b>Premium paid by employee</b> (e.g., “voluntary” or payroll deduction): <ul style="list-style-type: none"> <li>• May NOT be paid through 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 (<i>subject to limitations above</i>)</li> </ul> <b>Premium paid by employer</b> (ANY business type): <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). <i>IRC §106(a)</i></li> <li>• Benefits remain tax-free. (<i>See column to right</i>)</li> </ul>	<ul style="list-style-type: none"> <li>• Available only upon total surrender or death.</li> <li>• May not be borrowed or pledged.</li> <li>• Included in gross income to extent of any deduction or exclusion allowed with respect to premium.</li> </ul> <i>IRC §7702B(b)(2)(C)</i>												
<b>C-Corporation Shareholder / Employee (with W-2)</b> <ul style="list-style-type: none"> <li>• Including PCs and LLCs taxed as a Cv</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Treated as employee. (See above)</i></li> </ul>	<p align="center"><b>Linked-Benefit LTCI</b></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>												
<b>C-Corporation Shareholder / Employee (with W-2)</b> <ul style="list-style-type: none"> <li>• Sole Proprietor</li> <li>• Partner</li> <li>• S-Corporation &gt;2% shareholder/employee (W-2)</li> <li>• Member of a LLC or PC taxed as any of above</li> </ul> <p><i>NOTE: Limited Liability Corporation (LLC) is a legal, not tax, entity – check how the entity files.</i></p>	Eligible for Self-Employer health insurance deduction, which is taken "above the line" Line 31 or IRS Form 1040 (2002). <i>IRC §162(1)</i> Limited to lesser of actual premium paid or eligible LTC premium, <i>IRC §§213(d)(1)(D), 213(d)(10)</i> <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>\$470</td> </tr> <tr> <td>More than 40 but not more than 50</td> <td>\$880</td> </tr> <tr> <td>More than 50 but not more than 60</td> <td>\$1,760</td> </tr> <tr> <td>More than 60 but not more than 70</td> <td>\$4,710</td> </tr> <tr> <td>More than 70</td> <td>\$5,880</td> </tr> </tbody> </table> Deduction is not limited to 10% of AGI threshold (outlined above)	Attained age in tax year	Deductible premium limit	40 or less	\$470	More than 40 but not more than 50	\$880	More than 50 but not more than 60	\$1,760	More than 60 but not more than 70	\$4,710	More than 70	\$5,880	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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