

**2008 One Page Tax Summary**  
**Tax Qualified Long-Term Care Insurance (LTCi)**

Type of Taxpayer	Premium Deductions	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	<p>Treated as accident and health insurance. <i>IRC §7702B(a)(1)</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>Eligible LTC premium in 2008:</p> <table border="1" data-bbox="444 474 1174 632"> <thead> <tr> <th>Attained age in tax year</th> <th>Limitation on premiums</th> </tr> </thead> <tbody> <tr> <td>Age 40 or less</td> <td>\$310</td> </tr> <tr> <td>Age 41 – 50</td> <td>\$580</td> </tr> <tr> <td>Age 51 – 60</td> <td>\$1,150</td> </tr> <tr> <td>Age 61 – 70</td> <td>\$3,080</td> </tr> <tr> <td>Age 71 and older</td> <td>\$3,850</td> </tr> </tbody> </table> <p>Medical expense deduction is allowable to extent that such expenses (including payment of eligible LTC premium) exceed 7.5% of AGI. <i>IRC §213(a)</i></p>	Attained age in tax year	Limitation on premiums	Age 40 or less	\$310	Age 41 – 50	\$580	Age 51 – 60	\$1,150	Age 61 – 70	\$3,080	Age 71 and older	\$3,850	<p>Per diem or indemnity benefits are not included in income except those amounts that exceed the greater of:</p> <ul style="list-style-type: none"> <li>• Total qualified LTC expenses, or</li> <li>• \$270 per day (in 2008). <i>IRC §§104(a)(3), 7702B(a)(2), 7702B(d)</i></li> </ul> <p>Non-forfeiture benefit (return of premium benefit):</p> <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. <i>IRC §7702B(b)(2)(C)</i></li> </ul>
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MSA & HSA deduct eligible premium	Eligible LTC premium is a qualified medical expense. <i>IRC §213(d)(1)(D)</i>													
Employees (non-owners)	<p>Premiums paid by employees:</p> <ul style="list-style-type: none"> <li>• Deductible by employee who itemizes (subject to limitations outlined above).</li> <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> </ul> <p>Premiums paid by employer:</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 (subject to reasonable compensation). <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> </ul>													
C corporation owner-employee	Treated as employee.													
<p>Other business owners</p> <ul style="list-style-type: none"> <li>- Sole proprietor</li> <li>- Greater than 2% shareholder in: <ul style="list-style-type: none"> <li>- S corporation</li> <li>- Partnership</li> </ul> </li> <li>- Limited Liability Corporation (LLC)</li> </ul> <p>LLC is a legal, not a tax, filing. Check how the entity files</p>	<p>Eligible for Self-Employed health insurance deduction, which is taken "above the line" Line 29 of IRS Form 1040 (2007). <i>IRC §162(l)</i></p> <p>Limited to lesser of actual premium paid or eligible LTC premium. <i>IRC §§213(d)(1)(D), 213(d)(10)</i></p> <p>Eligible LTCi premium in 2008:</p> <table border="1" data-bbox="444 1623 1174 1780"> <thead> <tr> <th>Attained age in tax year</th> <th>Limitation on premiums</th> </tr> </thead> <tbody> <tr> <td>Age 40 or less</td> <td>\$310</td> </tr> <tr> <td>Age 41 – 50</td> <td>\$580</td> </tr> <tr> <td>Age 51 – 60</td> <td>\$1,150</td> </tr> <tr> <td>Age 61 – 70</td> <td>\$3,080</td> </tr> <tr> <td>Age 71 and older</td> <td>\$3,850</td> </tr> </tbody> </table> <p>Deduction is not limited to 7.5% of AGI threshold (outlined above).</p>	Attained age in tax year	Limitation on premiums	Age 40 or less	\$310	Age 41 – 50	\$580	Age 51 – 60	\$1,150	Age 61 – 70	\$3,080	Age 71 and older	\$3,850	<p><i>NOTE: This document is only a summary of the tax treatment of qualified long-term care insurance.</i></p>
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(Revised Dec. 2007)