

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.												
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><i>IRC §§104(a)(3), 7702B(a)(2)</i></p> <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"> • Total qualified LTC expenses, or • \$270 per day (in 2008). <p><i>IRC §§104(a)(3), 7702B(a)(2), 7702B(d)</i></p> <p>Non-forfeiture benefit (return of premium benefit):</p> <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. <p><i>IRC §7702B(b)(2)(C)</i></p>
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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"> • Deductible by employee who itemizes (subject to limitations outlined above). • 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> <p>Premiums paid by employer:</p> <ul style="list-style-type: none"> • Employer provided LTCi treated as accident and health plan. <i>IRC §7702B(a)(3)</i> • Deductible by employer (subject to reasonable compensation). <i>IRC §162(a)</i> • Total premium excluded from employee's income (not limited to eligible premium). <i>IRC §106(a)</i> 													
C corporation owner-employee	Treated as employee.													
<p>Other business owners</p> <ul style="list-style-type: none"> - Sole proprietor - Greater than 2% shareholder in: <ul style="list-style-type: none"> - S corporation - Partnership - Limited Liability Corporation (LLC) <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)