

**CLTC One Page 2018 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. | <p>Reimbursement benefits are not included in income. <i>IRC §§104(a)(3), 7702B(a)(2)</i></p> <ul style="list-style-type: none"> Total qualified LTC expenses. <p><i>IRC §§104(a)(3), 7702B(a)(2), 7702B(d)</i></p> | | | | | | | | | | | | |
| Individual taxpayer who itemizes deductions (Schedule A) | <p>Below are the deductibility limits for 2018. Amounts above these limits are not considered to be a medical expense.</p> <table border="1" data-bbox="508 470 1078 659"> <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>\$780</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><small>Source: IRS Revenue Procedure 2016 – 55 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 | \$780 | 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 | <p>Return of premium (nonforfeiture) benefits:</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> |
| Attained age in tax year | Deductible premium limit | | | | | | | | | | | | | |
| 40 or less | \$420 | | | | | | | | | | | | | |
| More than 40 but not more than 50 | \$780 | | | | | | | | | | | | | |
| 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 | | | | | | | | | | | | | |
| HSA & Archer MSA | Eligible LTCI premium is a qualified medical expense. <i>IRC §213(d)(1)(D)</i> | <p align="center">Linked-Benefit LTCI</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> | | | | | | | | | | | | |
| Employee (W-2) (NON-owner) | <p>Premium paid by employee (e.g., "voluntary" or payroll deduction):</p> <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>) <p>Premium paid by employer (ANY business type):</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 - 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>) | | | | | | | | | | | | | |
| C-Corporation Shareholder / Employee (with W-2) <ul style="list-style-type: none"> Including PCs and LLCs taxed as a C | <ul style="list-style-type: none"> Treated as employee. (<i>See above</i>) | | | | | | | | | | | | | |
| "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> | <p>Below are the deductibility limits for 2018. Amounts above these limits are not considered to be a medical expense.</p> <table border="1" data-bbox="508 1633 1078 1822"> <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>\$780</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><small>Source: IRS Revenue Procedure 2016 – 55 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 | \$780 | 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 |
| Attained age in tax year | Deductible premium limit | | | | | | | | | | | | | |
| 40 or less | \$420 | | | | | | | | | | | | | |
| More than 40 but not more than 50 | \$780 | | | | | | | | | | | | | |
| 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 | | | | | | | | | | | | | |

The information contained in this summary is provided with the understanding that it is not to be interpreted as specific tax or legal advice. Neither the Corporation for Certification for Long-Term Care, LLC, nor any of its employees or CLTC® designees are authorized to give legal or tax advice. Individuals are encouraged to seek the guidance of their own qualified tax and/or legal counsel.