Long Term Care Insurance Premium Deductibility Quick Reference Guide[1]

PREMIUM PAYER	CIRCUMSTANCE	DEDUCTIBILITY
Individual Taxpayer	Individual who itemizes deductions and pays premiums for self and spouse.	Adds eligible premiums (see explanation and chart on reverse) to other unreimbursed medical expenses and may deduct amount in excess of 7.5% of AGI. Note, the deduction threshold is 10% of adjusted gross income for years after 2018.
All Business Types	Employer pays premiums for non-owner employees and spouses (includes S Corporation employees with a 2% or less ownership interest).	Employer may be able to deduct up to 100% of premiums (if total compensation is "reasonable"). Premiums paid by employer are not included in employee's taxable income.
Sole Proprietor	Sole proprietor pays premiums for self and spouse.	Deducts eligible long term care insurance premium (see explanation and chart on reverse).[2]
Partnership (as well as Limited Liability Company taxed as partnership)	Partnership pays premiums for partner and spouse.	Premiums attributed to each partner/member included in their income. Partner/member deducts eligible long term care insurance premium (see explanation and chart on reverse).[3]
C Corporation (as well as Limited Liability Company taxed as corporation)	C Corporation pays premiums for owner who is employee and spouse.	C Corporation may be able to deduct up to 100% of premium expense (if total compensation is "reasonable"). Premiums paid by employer are not included in owner/employee's taxable income (see explanation on reverse).
S Corporation	S Corporation pays premiums for greater than 2% shareholder and spouse.	Premiums attributed to each greater than 2% shareholder are included in their income. Greater than 2% shareholder deducts eligible long term care insurance premium (see explanation and chart on reverse).[3]

This material only discusses the federal income tax treatment of long term care insurance. Consult with a qualified tax advisor for advice on including Long Term Care Insurance in compensation and benefits planning.

[1] Premiums paid for life insurance policies or annuity contracts that have tax-qualified long term care insurance riders are not deductible as accident and health insurance premiums.
[2] IRC Sec. 162(l)(1)(B).
[3] IRC Sec. 162(l)(1)(B), Rev. Rul. 91-26, 1991-15 I.R.B. 23.

Long Term Care Insurance Underwritten by
Genworth Life Insurance Company
Genworth Life Insurance Company of New York,
Administrative Office: Richmond, VA
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2018 Long Term Care Insurance Premium Age-Based Deduction Limits

Age	Amount Deductible[4]
40 or under	$420
41 through 50	$780
51 through 60	$1,560
61 through 70	$4,160
71 and above	$5,200

[4] IRS Rev. Proc. 2017-58

The age-based limits are indexed annually (to the nearest $10) to increases in the medical care cost category of the Chained Consumer Price Index.

Only "eligible" long term care insurance premiums are deductible medical expenses (Internal Revenue Code (IRC) Sec. 213(d)). Eligible premiums are the lesser of actual premiums paid or the age-based limits shown above. Unreimbursed medical expenses may be deducted only to the extent they exceed a specified percentage of the taxpayer's AGI.

Self-employed persons may generally deduct eligible premiums paid for them by their business without regard to the taxpayer's adjusted gross income threshold for deductibility of medical expenses. This may include a sole proprietor, a partner in a general partnership, a greater than 2% shareholder in an S Corporation, or a member in an LLC not taxed as a C Corporation.

References under the "Circumstance" column to "Employer" and "Employee" refer to long term care insurance premiums paid in the employment context as an employee benefit. LTCI may be offered as an individual policy or a group certificate. Benefits paid under tax-qualified LTCI are treated as reimbursements for medical care and are excluded from income (IRC §105(b)). There is no limit on this exclusion for benefits that reimburse for actual long term care expenses incurred. Some companies offer coverage that pays a per diem amount for long term care expenses. Benefits paid as a per diem that do not exceed the applicable per diem limit are not considered taxable income. For 2018, this limit is $360 (IRC §7702B(d)(4)).

It is not clear whether a plan may discriminate when paying LTCI premiums in favor of C Corporation owner/employees as a class of participants defined solely by ownership status. Employers must consult with their legal and tax advisors to ensure that a proposed plan providing LTCI benefits does not violate any non-discrimination requirements.[4]

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[4] Although an employer is generally free to select the employees for whom it will pay for long term care insurance coverage, such selection should be based on the individual's position or performance or other job-related criteria. In the selection of whom to cover, an employer remains subject to generally applicable employment discrimination laws that forbid discrimination on the basis of race, sex, age and other suspect classifications under federal and/or state law. The company should consult with legal counsel familiar with such matters before embarking on a program to provide long term care insurance coverage and should periodically review any such program to ensure that it satisfies all legal requirements.