

# Long Term Care Insurance

## Income Tax Treatment for 2019

*This is for educational and information purposes only. Please consult a tax professional.*

### Individual Taxpayer:

- **Individual who does not itemize deductions:**
  - Premium is not deductible
- **Individual who itemizes deductions:**
  - Premium is deductible as a medical expense, if medical expenses (including eligible LTC premium) exceed 10% of adjusted gross income (AGI)

### C-Corp Owners & Employees: (including LLC and PC taxed as C-corp)

- **Employer-provided LTCi is treated as an accident & health plan:**
  - Employer-paid premiums deductible by employer subject to reasonable compensation rules
  - Not limited to eligible LTC premiums in table 1
  - Employer-paid premium is not included in employee's income
  - Employer may also pay premium for spouses, retirees, and eligible tax dependents

### Self-Employed Taxpayer: (Sole prop, partner in a partnership or LLC taxed as partnership, 2% plus shareholder of C-Corp or LLC or PC taxed as S-Corp)

- **Self-employed taxpayer pays premium:**
  - Is eligible for the self-employed health insurance deduction, which is taken on the appropriate schedule on IRS form 1040
    - Deduction is limited to the lesser of actual premium paid of eligible LTC premium in table 1.
- **S-Corp, LLC, or Partnership pays premium:**
  - Employer-paid premium for owner & their spouses deductible by employer
    - Deducted premium is included in gross income of owners, partners, spouses, and eligible tax dependents.
  - Employer-paid premium for non-owner employees, spouses and retirees follow the same rules as a C-Corp

### 1035 Exchange & The Pension Protection Act:

§1035 rules to allow the surrender value of non-qualified, tax deferred annuities or the cash surrender value of life insurance policies to be exchanged, on a tax free basis, for a TQ LTCi policy.



**Table 1:**

#### Eligible LTC Premiums:

Attained age before the close of taxable year 2019:	Limitation:
Age 40 or less	\$420
Age 41—50	\$790
Age 51—60	\$1,580
Age 61—70	\$4,220
Age 71 and older	\$5,270

#### IRS Publication 535:

Details on the Self-Employed Health Insurance Deduction  
[irs.gov/pub/irs-pdf/p535.pdf](https://www.irs.gov/pub/irs-pdf/p535.pdf)