LTC CONSUMER
Your Resource for Long Term Care Planning

TAX GUIDE
2017 EDITION

INDIVIDUALS

Current tax laws state that you may be eligible for tax breaks on premium of tax-qualified[1] long term care insurance (LTCI) as it is considered a medical expense. If you itemize your federal income tax deductions, medical expenses are deductible to a certain extent, based on your age.

If your combined medical expenses (tax-qualified LTCI and other medical expenses) exceed 10% of your Adjusted Gross Income (AGI), you may be eligible for a deduction. Any portion of LTCI premiums outside of the eligible premiums listed below cannot be includable as a medical expense.[2]

ELIGIBLE PREMIUM GUIDELINES		
Age before the close of the taxable year:	2016 LTCI Eligible Premium	2017 LTCI Eligible Premium
40 and under	$390	$410
41-50	$730	$770
51-60	$1,460	$1,530
61-70	$3,900	$4,090
71 and over	$4,870	$5,110

YOUR LTCI BENEFITS ARE INTENDED TO BE TAX-FREE

As long as the benefits you receive from your tax-qualified LTCI policy do not exceed the greater of your qualified long term care daily expenses *or* the per-day limitation of $360 (2017 limit), your benefits should be tax-free.[3]

SECTION 125 CAFETERIA PLAN

Long term care insurance is not allowed in a cafeteria plan.

SELF-EMPLOYED

A self-employed individual (or sole-proprietor) can deduct 100% of the owners tax-qualified premiums based on the age-based limits explained in the chart above. Additionally, a self-employed business may be able to deduct the premiums paid for their employees as a business expense. It is not necessary for a self-employed individual to meet the threshold of AGI that is required for an individual.

LIMITED LIABILITY COMPANY

The employer-paid portion of long term care premium for employees of an LLC is deductible as a general business expense. The members of an LLC are taxed as self-employed individuals (see above for guidelines). The LTCI premiums that are paid by the corporation are to be included in member's AGI, but may deduct up to 100% of the age-based Eligible Premium amount listed in the table on page one of this guide.

SUBCHAPTER-S CORPORATION

Sub S corporation members who own more than 2% of the Corporation[4] are taxed as self-employed individuals. The long term care premium must be included in their income and reported on their K-1. The premium is, however, are deductible up to 100% of the age-based Eligible Premium amount listed on page one of this guide and should be included in member's AGI.

C-CORPORATION

All tax-qualified premiums paid for by the employer for their employees is entitle to be 100% deducted as a business expense on total premiums paid. This deduction is not limited to the age-based Eligible Premium amounts listed on page one of this guide.

The LTCI premiums that are paid by the corporation are not to be included in the employee's income. The benefits received by the employee from their employer paid tax-qualified LTCI plan are non-taxable and are therefore not included in the employee's AGI.[5]

2017 STATE TAX INCENTIVES

Many states will offer tax incentives to encourage you to purchase LTCI. The information provided below is not tax advice and does not guarantee that state benefits will be available. Please speak with your tax consultant to confirm if your state has a tax benefit available.

State	Credit/Deduction	Details
Alabama	Deduction	A deduction is allowed for the amount of premiums paid pursuant to a qualifying insurance contract for qualified LTCI coverage, subject to specified limitations.
Alaska	None	None
Arizona	Credit	If an individual is not claiming itemized deductions on his Arizona tax return, the amount of premium costs for LTC insurance, as defined by Arizona law, shall be deducted from his Arizona gross income.
Arkansas	Deduction	Permits the same tax deduction as is allowed for federal income tax purposes for premiums paid for the purchase of qualified LTC insurance.
California	Deduction	Permits the same tax deduction as is allowed for federal income tax purposes for premiums paid for the purchase of qualified LTCI.
Colorado	Credit	State income tax credit equal to the lesser of 25% of premiums paid for an LTCI policy or $150 per policy. Individuals who qualify for the credit are those with federal taxable income less than $50,000 ($100,000 for joint filers claiming a credit for 2 policies). An LTCI policy must meet Colorado's definition of long-term care.
Connecticut	None	None
Delaware	None	None
District of Columbia	Deduction	A deduction in the amount an individual pays annually in premiums paid for LTCI is permitted from gross income, provided that the deduction not exceed $500 per year, per individual, whether the individual files individually or jointly. An LTCI policy must meet the District of Columbia's definition of long-term care.
Florida	None	None
Georgia	None	None

Hawaii	Deduction	An individual state tax deduction is allowed for LTCI premiums. This deduction is limited in the same manner as the deduction on the federal level, and is also only available to the extent that all medical expenses, including long-term care, exceed 10% of Hawaii Adjusted Gross Income instead of the Federal Adjusted Gross Income.
Idaho	Deduction	Premiums paid during the taxable year, by a taxpayer for LTCI, which LTCI is to be for the benefit of the taxpayer, a dependent of the taxpayer, or an employee of the taxpayer, may be deducted from taxable income to the extent that the premium is not otherwise deducted or accounted for by the taxpayer for Idaho income tax purposes. The deduction may be taken for a federally tax-qualified LTCI policy meeting Idaho's definition of LTCI.
Illinois	None	None
Indiana	Deduction (Applies only to IN Partnership Policies)	An individual taxpayer is permitted to deduct an amount equal to the eligible portion of premiums paid during the taxable year by the taxpayer for a qualified LTCI policy (as defined in the Indiana Code) for the taxpayer, the taxpayer's spouse, or both. Deduction only applies to the Partnership program. Ind. Code § 6-3-1-3.5 and § 12-15-39.6.5 (Qualified Long-Term Care Policy).
Iowa	Deduction	Permits tax deduction from net income for premiums paid for LTCI coverage for nursing home coverage to the same extent allowable under federal law and to the extent not otherwise deducted in computing Adjusted Gross Income.
Kansas	None	None
Kentucky	Deduction	A taxpayer may deduct from Kentucky Adjusted Gross Income any amounts paid for LTCI as defined in the Kentucky Code.
Louisiana	Credit	A credit against the individual income tax for amounts paid as premiums for eligible LTCI. The amount of the credit shall be equal to 10% of the total amount of premiums paid annually by each individual claiming the credit and must meet the specified qualification requirements.

Maine	Credit/Deduction	CREDIT: An employer providing long-term care benefits to its employees may qualify for the tax credit. A credit is allowed against the tax imposed for each taxable year equal to the lowest of the following: (A) $5,000; (B) 20% of the costs incurred by the taxpayer in providing LTCI policy coverage as part of the benefit package; or (C) $100 for each employee covered by an employer-provided LTCI policy. DEDUCTION: A taxpayer is entitled to a state tax deduction for qualified LTCI premiums as long as the amount deducted is reduced by any amount deducted for federal income tax purposes and by any LTCI premiums claimed as an itemized deduction pursuant to Maine Rev. Stat. tit. 36 section 5125. The long-term care contract must be certified under Maine Revised Statutes Ann. Title 24-A., Section 5075-A
Maryland	Credit	A credit is allowed against the state income tax for employers providing long-term care insurance up to an amount equal to 5% of the costs incurred by the employer during the taxable year for providing long-term care insurance as apart of an employee benefit package. The credit may not exceed $5,000 or $100 for each employee covered. A one-time credit is allowed per individual against the state income tax in an amount equal to 100% of the eligible federally qualified long-term care insurance premiums covering the individual, spouse, parent, step- parent, child, or step-child, not to exceed $500.
Massachusetts	None	None
Michigan	None	None
Minnesota	Credit	A taxpayer is allowed a tax credit for premiums paid during the tax year for LTCI (as defined under Minnesota law). The Credit for each policy is equal to the lesser of 25% of premiums paid to the extent not deducted in determining federal taxable income OR $100. Maximum allowable credit per year is $200 for couples filing jointly and $100 for all other filers. Any unused tax credit may not be carried forward to future tax years. No credit is allowed if the taxpayer deducted the premium amounts when net taxable income was calculated or the premiums were excluded from net taxable income.

Mississippi	Credit	A credit is allowed against income taxes imposed under Chapter 7 in an amount equal to 25% of the premium costs paid during the taxable year for a qualified LTCI policy that offers coverage to either the individual, his/her spouse, parent or parent-in-law, or dependent. The credit shall not exceed $500 or the taxpayer's income tax liability, whichever is less, for each qualified LTCI policy. Any unused tax credit may not be carried forward to future tax years. No credit is allowed if the taxpayer deducted the premium amounts when net taxable income was calculated or the premiums were excluded from net taxable income.
Missouri	Deduction	A resident individual may deduct from each individual's Missouri taxable income an amount equal to 100% of all non-reimbursed amounts paid by such individuals for qualified LTCI premiums to the extent such amounts are not included in the individual's itemized deductions. A married individual filing a Missouri income tax return separately from his or her spouse shall be allowed to make a deduction pursuant to this section in an amount equal to the proportion of such individual's payment of all qualified LTCI premiums. The director of the department of revenue shall place a line on all Missouri individual income tax returns for the deduction created by this section.
Montana	Credit/Deduction	CREDIT: A limited credit is available for the expense of caring for certain elderly family members (which includes premiums paid for LTCI coverage). The amount of credit is determined based on the taxpayer's adjusted gross income and cannot exceed $5,000 per qualifying family member in a taxable year ($10,000 for two or more family members). DEDUCTION: A deduction is allowed for all premium payments made directly by the taxpayer for long-term care insurance policies or certificates that provide coverage primarily for any qualified long-term care services for the taxpayer, the taxpayer's parents, or the taxpayer's grandparents. In order to take this deduction, the premiums must not have been deducted elsewhere on your tax return when you determine your Montana adjusted gross income.

Nebraska	Deduction	Allows a state income tax deduction for The Nebraska Long-Term Care Savings Plan contributions of up to $2,000 per married filing jointly return or $1,000 for any other return, to the extent not deducted for federal income tax purposes.
Nevada	None	None
New Hampshire	None	None
New Jersey	Deduction	Allows a deduction for medical expenses (including LTCI premiums for taxpayers, their spouses or dependents) to the extent such expenses exceed 2% of taxpayer's gross income.
New Mexico	Credit/Exemption	CREDIT: Allows taxpayers 65 and older and not a dependent of another taxpayer to claim a credit of $2,800 for medical care expenses, which includes LTCI premiums, paid for the taxpayer, spouse, or dependents if expenses equal $28,000 or more within a taxable year and if expenses are not reimbursed or compensated. EXEMPTION: Taxpayers 65 and older are entitled to an exemption of $3,000 for medical care expenses, which include long-term care insurance premiums, if such expenses equal $28,000 or more within a taxable year and are un=reimbursed or uncompensated.
New York	Credit	CREDIT: A credit for personal income tax is allowed equal to 20% of the premium paid during the taxable year for qualified long-term care insurance. A credit is allowed against the corporation tax equal to 20% of the premiums paid during the taxable year for qualified long-term care insurance. The credit may not reduce the tax payable to less than the state minimum tax, but any excess credit may be carried forward. An S Corporation is allowed a credit against the personal income tax equal to 20% of the premium paid during the taxable year for qualified long-term care insurance.
North Carolina	None	None
North Dakota	Credit	Allows for a tax credit equal to premiums paid but not to exceed $250 in each taxable year for state residents who paid premiums on a North Dakota LTC Partnership qualified plan covering the taxpayer or his/her spouse.

Ohio	Deduction	Allows a deduction for the amount paid for qualified LTCI for the taxpayer, his/her spouse, and dependents (but only to the extent not otherwise allowable as a deduction or exclusion in computing federal or Ohio adjusted gross income.)
Oklahoma	Deduction	Permits the same tax deduction as is allowed for federal income tax purposes.
Oregon	None	None
Pennsylvania	None	None
Rhode Island	None	None
South Carolina	None	None
South Dakota	None	None
Tennessee	None	None
Texas	None	None
Utah	None	None
Vermont	None	None
Virginia	Credit (Repealed in 2013)	CREDIT (Only carryover credits from prior years are allowed): Provides a credit against individual income taxes for certain LTCI premiums paid by the individual during the taxable year. The amount of the credit shall equal 15% of the amount paid during the taxable year. The credit can not be claimed to the extent the individual has claimed a deduction for federal income tax purposes for LTCI premiums for himself or a deduction under Va. Code Ann. § 58.1-322 (D)(10).
Washington	None	None
West Virginia	Deduction	A deduction is allowed for resident taxpayers for amounts paid during the taxable year for premiums for LTCI as defined in the West Virginia Code, for taxpayer, his/her spouse, parent, or dependent, from the federal adjusted gross income reported on the West Virginia state tax return. A deduction is allowed on the state level only to the extent the amount is not allowable as a deduction for purposes of determining the taxpayer's federal adjusted gross income for the year of payment.

Wisconsin	Deduction	Allows a person to subtract from federal adjusted gross income a portion (generally 100% of the amount paid for the policy minus the amounts deducted from gross income for a LTCI policy in the calculation of federal adjusted gross income) of the amount paid for a LTCI policy for taxpayer and his spouse when computing Wisconsin taxable income. The deduction is not available on the state level to the extent a deduction was taken for these premiums on the federal return. In addition, the amount claimed as a deduction from LTCI in calculation of federal taxable income is excluded from the Wisconsin itemized deductions credit.
Wyoming	None	None

PARTNERSHIP POLICIES

Partnership policies are tax-qualified plans that, by federal law, contain certain consumer protections and must provide inflation protection benefits for purchasers so that benefits keep up with the cost of inflation over time. The long term care partnership program provides an alternative to spending down or transferring benefits by forming a partnership between Medicaid and private long term care insurers. Once private insurance benefits are used, special Medicaid eligibility rules are applied if additional coverage is necessary. This is to help incentivize the purchase of long term care insurance.

Partnership policies have certain requirements so not all states offer them. Please check with your state department of insurance or review our map to see if your state has a plan available. Please also note that special agent training is required to sell partnership qualified plans so it is important to speak to a long term care specialist when considering the purchase of long term care insurance.

Disclaimer: This document does not constitute legal or tax advice and should not be construed as tax or insurance advice. It was neither written nor intended for use by any taxpayer for the purpose of avoiding penalties, and it cannot be so used. Please speak with your tax advisor or long term care insurance specialist in regards to a particular situation.

[1]A tax-qualified policy is based on the guidelines defined by the Health Insurance Portability and Accountability Act of 1996 (HIPAA).
[2]Allowable deductions are set by the Internal Revenue Code (IRC) section 213(d)(10).
[3]The 2017 per diem limitation for tax-free benefits is set by IRC section 7702B.
[4]IRC1372 provides that a more than 2% shareholder/employee is generally treated as a partner in a partnership, rather than as an employee, for the purposes of the tax treatment of fringe benefits. The deduction hinges on the more than 2% shareholder/employee being treated as a partner and self-employed by participating in a plan in which the employer pays the policy's premiums [IRC162(I); Rev. Rul. 91-26].
[5]IRC 7702B, 104(a)(3) and 105.