



LTC CONSUMER
Your Resource for Long Term Care Planning



TAX GUIDE

2021 EDITION

2021 TAX BREAKS & INCENTIVES GUIDE FOR LONG TERM CARE INSURANCE

INDIVIDUALS

Current tax laws allow for the deduction of either the actual premium or the eligible premium paid on a tax-qualified long-term care insurance policy.

- **Actual premium** is the actual amount of premium paid
- **Eligible premium** is an amount determined annually by the federal government based on the medical care components of the Consumer Price Index and the age of the policyholder

If your combined medical expenses (tax-qualified LTCI and other medical expenses) exceed 7.5% 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:	2020 LTCI Eligible Premium	2021 LTCI Eligible Premium
40 and under	\$430	\$450
41-50	\$810	\$850
51-60	\$1,630	\$1,690
61-70	\$4,350	\$4,520
71 and over	\$5,430	\$5,640

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 \$400 (2021 limit), your benefits should be tax-free.³

BUSINESS OWNERS

Depending on the tax structure of your business, there may be significant tax savings when you use business dollars to purchase long term care insurance.

TAX ADVANTAGES OF LONG TERM CARE INSURANCE	
Self-Employed Business Owners (Sole Proprietor, Partnership, LLC, S Corporations)	For Owners of C Corporations
<ul style="list-style-type: none"> • Actual premium may be tax deductible when the business purchases long term care insurance policies for employees. • Eligible premium may be tax deductible when the business purchases long term care insurance policies for the owner, spouse, or dependents. 	<ul style="list-style-type: none"> • Actual premium may be tax deductible when the business purchases long term care insurance policies for owner/employee, spouse, dependents, or Employees

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 regard to a particular situation.

¹A tax-qualified policy is based on the guidelines defined by the Health Insurance Portability and Accountability Act of 1996 (HIPAA).

²Allowable deductions are set by the Internal Revenue Code (IRC) section 213(d)(10).

³The 2021 per diem limitation for tax-free benefits is set by IRC section 7702B.