

# **PARTNERSHIP**

## **Deductibility of Partnership-Paid Premiums**

### **On Behalf of a Partner**

A Partnership that purchases TQ LTCI on behalf of a Partner may deduct the premiums paid as an ordinary business expense. This holds true for TQ LTCI purchased for the Partner's spouse or other tax dependent.

### **On Behalf of an Employee**

A Partnership that purchases TQ LTCI on behalf of an Employee may deduct the premiums paid as an ordinary business expense. This also holds true for TQ LTCI that is purchased for the Employee's spouse or other tax dependent.

## **Tax Consequences of Partnership-Paid Premiums**

### **For a Partner**

The entire amount of the TQ LTCI premiums paid by the Partnership is includable in the partner's gross income. The same holds true for partnership-paid TQ LTCI premiums paid on behalf of the Partner's spouse or other tax dependents.

In this case, the partner is treated as a self-employed individual for tax purposes and the TQ LTCI premiums received would be subject to the same tax rules as apply to Sole Proprietors. **The Sole Proprietor's eligible premium table is as follows:**

<b>Age</b>	<b>Eligible Premium 2006 Limit</b>	<b>Eligible Premium 2005 Limit</b>	<b>Eligible Premium 2004 Limit</b>
<b>&lt; 40</b>	<b>\$ 280</b>	<b>\$ 270</b>	<b>\$ 260</b>
<b>41-50</b>	<b>\$ 530</b>	<b>\$ 510</b>	<b>\$ 490</b>
<b>51-60</b>	<b>\$1,060</b>	<b>\$1,020</b>	<b>\$ 980</b>
<b>61-70</b>	<b>\$2,830</b>	<b>\$2,720</b>	<b>\$2,600</b>
<b>70 &gt;</b>	<b>\$3,530</b>	<b>\$3,400</b>	<b>\$3,250</b>

In tax years prior to 2003, any TQ LTCI premiums over and above the Percentage of TQ LTCI Premium Deductible as Self-Employed Health Insurance may be added to the Partner's other unreimbursed medical expenses calculating the Partner's medical expense deductions.

### **For an Employee**

Employer-paid LTCI premiums would not be included in the Employee's gross income (IRC Sec. 106). This would also apply to premiums paid on behalf of the employee's spouse and other tax dependents.

## **Treatment of Benefits Received**

### **General Rule**

A TQ-LTCI policy issued after December 31, 1996 is treated as an accident and health insurance contract. The result is that benefits received are considered reimbursements for expenses actually incurred and are not generally includable in gross income (IRC Sec. 104(a)(3) and 105(b)). In 2006, the maximum tax free cash daily benefit is \$250 or actual expenses, whichever is greater. Claimant may be required to provide proof of actual expenses for tax purposes.

For a further discussion of the taxation of benefits received, see “Treatment of Benefits Received in the Individual Taxpayer Section of this discussion.