

## **SOLE PROPRIETOR (Self-Employed)**

### **Deductibility of Employer-Paid Premiums**

#### **On Behalf of the Sole Proprietor**

Sole Proprietors who purchase and pay for tax qualified LTCI policies for themselves, their spouses and their tax dependents may claim a deduction for the premiums paid as medical care expenses (IRC Sec. 162(l)(1)(A) and Sec. 213).

Prior to tax year 2003, only a percentage of the eligible TQ LTCI premiums paid by a self-employed individual were deductible as medical care expenses. However in tax year 2003 and thereafter, the full amount of the TQ LTCI premiums paid by the self-employed individual may be deducted (IRC Sec. 162(l)(1)(B)). See the following table for more information.

<b><u>Tax Year</u></b>	<b><u>Applicable Percentage of TQ LTCI Premium Deductible as Self-Employed Health Insurance</u></b>
2003 and thereafter	100%
2002	70%
1999-2001	60%
1998	45%

Further, as in the case of individual taxpayers, the amount of the tax qualified LTCI premiums that a self-employed individual may deduct as Self-Employed Health Insurance is subject to the following dollar limits. These dollar limits *are not* subject to the 7.5% Rule.

<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>

\*Benefits on tax qualified long term care plans are paid to claimant tax-free up to \$250 per day or actual expenses, whichever is greater.(Revised, January 2006)

Not intended to give tax advice. Please consult your personal or business tax advisor.