

# ***Tax Environment for Long-Term Care Insurance***

## **Federal:**

A portion of the premium based on the age of the policyholder will count as a medical expense subject to 7.5% of adjusted gross income. {IRC Sec. 231(d)(10)}

<u>Attained age before the close of taxable year:</u>	<u>Amount that counts as an allowable medical expense:</u>	
	<b><u>2006</u></b>	<b><u>2005</u></b>
40 & younger	\$280	\$270
41 - 50	\$530	\$510
51 - 60	\$1,060	\$1,020
61 - 70	\$2,830	\$2,720
71 and older	\$3,530	\$3,400

Self-Employed, Sole proprietors, Partnerships, “greater than 2% shareholders” of S-Corporations, or Limited Liability Corporations receive a 100% deduction up to the above limits for taxable year 2005 & 2006.

This deduction is NOT subject to the 7.5% of AGI. {IRC Sec. 162(l)(5)}

C-Corporations may deduct 100% of the premiums with no scheduled maximum. {IRC Sec. 106}

- Premiums contributions are tax deductible to employer
- Premium contributions are excluded from employees’ income
- Employers may “carve out” by class
- Benefits are received tax-free. (up to \$250 per day on indemnity plans)
- Premiums may be paid from a Health Savings Account (HSA)
- Fully portable coverage

## **State:**

You may deduct the amount you paid during taxable year for unsubsidized, qualified long-term care insurance. You may deduct for insured, spouse, and dependents. {ORC Section 5747.01 (A)(11)(a)}

*This information is not intended in any way to give tax advice. Please consult your tax advisor.*

**Provided by:**  
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