

Tax Savings on Long Term Care Insurance Premiums

The POWER of the deductibility of LTCi—Pre-tax vs. After-tax

THE GOVERNMENT GIVES BUSINESS OWNERS and THEIR SPOUSE A DEDUCTION TO BUY LONG TERM CARE INSURANCE.

The Omnibus Appropriations Conference Agreement adopted by the Congress and signed by President Clinton on October 21, 1998 includes a provision to include premiums for qualified long term care insurance contracts, purchased by self-employed individuals under section 162(l) of the Internal Revenue Code. Under this code provision, the self-employed are permitted to deduct a percentage of health insurance premiums for the **Self-employed** individual, the individual's spouse and dependents. Owner/Employees (Members) of **LLC's, S-Corps** (2% + Shareholders) and **Partnerships** who **declare** their health insurance premiums as income may also take advantage of the deduction.

(The deductions outlined below should be taken prior to the 7.5% of AGI for medical expense deduction.)

C-Corps do not follow the schedule below; they may deduct 100% of the premium for both the employee and the employee's spouse.

Individual Maximum Premium Limits for Qualified Long Term Care Insurance Premiums

Attained Age Before Close of Year	2008 Deduction (per person)	2007 Deduction (per person)
40 or less	\$310	\$290
41-50	\$580	\$550
51-60	\$1,150	\$1,110
61-70	\$3,080	\$2,950
71 or more	\$3,850	\$3,680

The formula for deduction is as follows:

Step 1	Enter your LTCi Premium or Maximum Premium Limit, based on your age (shown above), whichever number is less.	_____
Step 2	Multiply the number in Step 1 by this Year's Taxable Percentage:	x 100%
Step 3	Enter the result: This number* will be on page 1, line 29 on your 1040 (self-employed health insurance deduction) and can be deducted from your adjusted gross income.	= _____
Step 4	Enter your tax bracket %: (Don't forget to add in State Income Tax, if applicable)	_____
Step 5	Multiply the amount in #3 by your tax bracket % (#4): This is your tax savings for this year:	= _____
Step 6	Take your Tax Savings and deduct that number from your premium. This will be your net LTC Cost: (Premium minus Tax Savings = Net Premium)	_____

If you have a spouse, he/she can also participate (with Employer approval). Follow the same formula.

CLIENT COMPANY MUST HAVE A WRITTEN PLAN FOR ALL PARTICIPANTS FOR THAT ELIGIBLE CLASS.

Tax Qualified LTCi premiums for business are Tax Deductible and the benefits received are Income Tax Free.