# Marty Puin

## & Associates Inc.

*Specialists in Long Term Care Insurance Planning*

**Long Term Care Insurance**
**2025 IRS Premium Limits**

The Health Insurance Portability and Accountability Act of 1996 (HIPAA) includes provisions for favorable tax treatment of qualified Long Term Care (LTC) insurance contracts. Some of these provisions affect premiums, benefits, employer contributions and medical expense deductions, among others.

**Tax Treatment of Premiums and Benefits**

Individual Taxpayers and
Self-Employed, Limited Liability Corporation, Partnerships, S-Corporation

Premium Deduction Limit for

| Age Before Close of Tax Year | 2024 Tax Year |
|---|---|
| 40 or younger | $ 480 |
| 41 to 50 | $ 900 |
| 51 to 60 | $1,800 |
| 61 to 70 | $4,810 |
| 71 or older | $6,020 |

Self-employed individuals, including sole proprietors, partners and more than 2% shareholders of a subchapter S corporation may deduct 100% of eligible premiums paid for qualified LTC plans as an "above the line" self-employed health insurance deduction, *subject to the age based limits noted above*. Example: An S-corporation pays a premium of $1,670 for a 50 year old 2% shareholder. The age-based maximum premiums for this 50 year old is $900, so he may deduct up to $900 on his personal tax return. Another example: An S-Corporation pays a premium of $3,710 for a 65 year old 2% shareholder. The age based maximum premium allowed under current law is $4,810. In this example the 2% shareholder may deduct 100% of the $4,810 premiums on his personal tax return.

S corporations can also deduct 100% of LTC premiums for its employees, spouses and dependents who are not 2% shareholders.

C-corporations can also deduct 100% of Long Term Care premiums for employees and their spouses. The employer can randomly offer this benefit to the employee of his/her choice and corporations can discriminate by class. The policies are fully portable to the employees when he/she leaves the company. Premiums paid for spouses and dependents are treated in a similar fashion.

Benefits paid to an individual under a qualified LTC plan are excluded from taxable income. There is a tax-free cap of $420/day for the tax year 2025 on benefits received under a per diem plan such as those offered by Unum Life Insurance Company (and others), unless the insured can show that LTC expenses exceed the cap. Also, the tax-free cap may be reduced by other LTC reimbursements such as another LTC policy, a Life Insurance policy that pays benefits for LTC services and Medicare.

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# 2025 One Page Tax Summary
# Qualified Long Term Care Insurance (LTCi)

| Type of Taxpayer | Premium Deductions |
|---|---|
| **Individual taxpayer who does NOT itemize** | No deduction |
| **Individual taxpayer who itemizes deductions** | Treated as accident and health insurance. IRC §7702B(a)(l)<br>Limited to lesser of actual premium paid or eligible LTC premium. IRC §§213(d)(l)(D), 213(d)(10)<br>Eligible LTC premium in 2024: (see table below)<br>Individuals can deduct their medical expenses to the extent that the expenses exceed 7.5% of the individnal's adjusted gross income. Premiums paid for spouses and dependents are treated in a similar fashion. |
| **MSA & HSA deduct eligible premium** | Eligible LTC premium is.a qualifi:edmedical expense. IRC §213(d)(l)(D) |
| **Employees (non-owners)** | **Premiums paid by employees:**<br>• Deductible by employee who itemizes (subject to limitations outlined above).<br>• May not be paid **through** cafeteria plan. IRC §125(f)<br>• May not be paid **through** FSA or similar arrangement. IRC §106(c)<br><br>**Premiums paid by employer**<br>• Employer provided LTCi treated as accident and health plan. IRC §7702B(a)(3)<br>• Deductible by employer (subject to resonable compensation). IRC § 162( a)<br>• Total premium excluded from employer's income (not limited to eligible premium). IRC §106(a) |
| **C corporation owner-employee** | Treated as employee. |
| **Other business owners**<br>• Sole proprietor Greater than 2% shareholder in:<br>• S Corporation<br>• Partnership<br><br>LLC:<br><br>LLC is a legal entity not for tax filing purposes. Check how the particular entity files | Eligible for Self-Employer health insurance deduction, which is taken "above the line" Line 29 IRS Schedule 2 Form 1040 (2002). IRC §162(1)<br><br>Limited to lesser of actual premium paid or eligible LTC premium, IRC §§213(d)(1)(D), 213(d)(10)<br>**Eligible LTC premium in 2024:** (see table below)<br>**Deduction is not limited to 10% of AGI threshold (outlined above).** |

Eligible LTC premium in 2024 (individual taxpayer who itemizes deductions):

| Attained in tax year | Limitations on premiums |
|---|---|
| Age 40 or less | $480 |
| Age 41 - 50 | $900 |
| Age 51 - 60 | $1800 |
| Age 61 - 70 | $4810 |
| Age 71 and older | $6020 |

Eligible LTC premium in 2024 (other business owners):

| Attained in tax year | Limitations on premiums |
|---|---|
| Age 40 or less | $480 |
| Age 41 - 50 | $900 |
| Age 51 - 60 | $1800 |
| Age 61 - 70 | $4810 |
| Age 71 and older | $6020 |

## Taxation of Benefits

Reimbursement benefits are not included in income. IRC §§104(a)(3), 7702(a)(2)

Per diem or indemnity benefits are not included in income except those amounts that exceed the greater of:

- Total qualified LTC expenses, or
- $420 per day (in 2025)

IRC §§104(a)(3), 7702B(a)(2), 7702B(d)

nonforfeiture benefit (return of premium benefit):

- Available only upon total surrender or death.
- May not be borrowed or pledged.
- Included in gross income to extent of any deduction or exclusion allowed with respect to premimn.

IRC §§ 7702B(b)(2)(c)

**NOTE: This document is only a summary of the tax treatment of qualified Long Term Care insurance. You can check with a tax professional for advice.**

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