

# Long-Term Care Insurance Premiums Qualifying for Tax Credits or Deductions

Did you know that your long-term care insurance premiums may be eligible for a tax credit or deduction? Read more to find out if your state provides this option and if so, how you can take advantage.

## **How Do I Calculate My Annual Premium Paid?**

The calculation for your annual premium is very simple. Take the monthly premium amount paid for your long-term care insurance coverage and multiply this number by twelve (months) for your total annual amount paid.

## **Federal Tax Law Supplements on Deductions of Premiums for Long-Term Care**

### **Tax Supplement Regarding Internal Revenue Code 213(d)<sup>1</sup>**

Tax-qualified\* long-term care insurance premiums are considered a medical expense. Medical expenses are deductible if they exceed 7.5% of your Adjusted Gross Income and are filled out through an itemized tax deduction. The Internal Revenue Code 213(d) has limited the amount of eligible long-term care insurance premiums. The table below shows the limits, by age at the end of the taxable year, of medical expenses that may be accepted for tax deductions. If you pay premiums for tax-qualified long-term care insurance for yourself, your spouse, or any tax dependent, the premiums may also be treated as a personal medical expense. Under the new legislation, this deductibility threshold will increase to 10% for years after 2012.

Federal Tax Deductible Limits		
Age of Taxpayer at End of Tax Year	2012 Deductible Limit	2013 Deductible Limit
40 years old or less	\$350	\$360
41 to 50 years old	\$660	\$680
51 to 60 years old	\$1,310	\$1,360
61 to 70 years old	\$3,500	\$3,640
Age 71+	\$4,370	\$4,550

\*Tax-qualified refers to those guidelines under Section 7702(B)(b) of the Internal Revenue Code of 1986.

### **Tax Supplement Regarding Section 7702(B)(b) of the Internal Revenue Code of 1986<sup>2</sup>**

A "Qualified Long-Term Care Insurance Contract" is one which:

- Covers only qualified long-term care services, does not reimburse expenses incurred for services,
- Is guaranteed renewable,
- Does not provide for a cash surrender (or other money that can be borrowed, assigned, paid, or used as collateral for purposes of a loan), and
- Any dividends or refunds of premiums are to be used toward reducing future premiums or increasing future benefits and must meet further guidelines provided by subsection (g) of federal tax code 7702(B).

### **State Specific Long-Term Care Insurance Tax Incentives**

Many states offer credits or deductions for long-term care insurance premiums. To view the rules in your state for deducting long-term care insurance premiums, visit <http://www.ltc-solutions.com/map>.

**Please Note:** This document is not tax advice. You should consult your own independent tax advisor to determine if tax benefits are available in your situation. The tax information is based upon information available at the time of document creation.

<sup>1</sup> Long-Term Care insurance tax-deductibility rules (2009). Retrieved April 8, 2009, from American Association for Long-Term Care.

<sup>2</sup> Title 26 Subtitle F Chapter 79 § 7702B: Treatment of qualified long-term care insurance (2009, March 3). Retrieved April 8, 2009, from Cornell University Law School.