



2019 TAX SUMMARY

Individual Pays LTCi Premium



Itemizes Deductions (Schedule A)

- Treated as Accident and Health Insurance¹⁵
- Medical expense deduction is allowable to extent that such expenses (including payment of qualified LTCi premium) exceed 10% of AGI^{6, 10}
- Limited to the lesser of actual premium paid or Eligible Long Term Care Premiums^{8, 9}

Does Not Itemize Deductions (or does not have unreimbursed medical expenses in excess of 10% of AGI)

- May pay TQ LTCi premium from a Health Savings Account; Eligible Long Term Care Premiums are a qualified medical expense^{8, 12}
- May pay TQ LTCi premium from an Archer MSA; Eligible Long Term Care Premiums are a qualified medical expense^{8, 11}

EssentialLTC

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Refer to [State Variation Listing](#) for product availability.

C-Corp Pays LTCi Premium

(including PCs and LLCs taxed as a C-Corp)



Owners/Employees/Spouses - Deductible by Employer^{15, 17}

- Applies to both individual policies and group insurance^{4, 7}
- Employer provided LTCi treated as accident and health plan¹⁷
- Deductible by employer - not limited to Eligible Long Term Care Premiums limitation^{4, 17}
- Subject to reasonable compensation^{4, 17}
- May also include spouse and eligible tax dependents⁴
- Total premium excluded from employee's income - not limited to Eligible Long Term Care Premiums limitation^{2, 17}
- Total premium is not subject to FICA¹⁴

Self-Employed

Business owners, Sole Proprietor, Partners - Partnerships and Limited Liability Partnerships (LLP), S-Corporation >2% shareholder/employee (W-2), or member of LLC or PC (taxed as any of the preceding) pays LTCi premium

Owners

- May be treated as a business expense for medical insurance premiums⁵
- Eligible for 'above the line' Self-Employed Health Insurance Deduction (line 29 of IRS Form 1040 (2019))⁵
- May also include spouse and eligible tax dependents⁵
- Deduction is not limited to 10% of AGI threshold⁵
- Limited to the lesser of actual premium paid or Eligible Long Term Care Premiums^{8, 9}

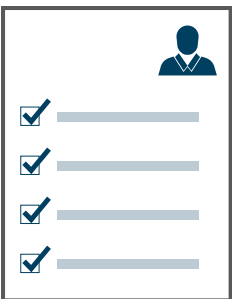
Employees/Spouses

- Same as C-Corp Employees/Spouses

2019 Eligible Long Term Care Premiums⁹

Amount paid during a taxable year for any qualified Long Term Care insurance contract covering an individual, to the extent such amount does not exceed the limitation determined under the following table:

Attained age before the close of the taxable year 2019:	The limitation is:
Age 40 or less	\$420
Age 41-50	\$790
Age 51-60	\$1,580
Age 61-70	\$4,220
Age 71 and older	\$5,270



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1035 Exchange (PPA)²¹

1035

The Pension Protection Act of 2006 (effective 1/1/2010) amended the IRS Code Section 1035 rules to allow non-qualified, tax-deferred annuities or cash value life insurance to be exchanged, on a tax-free basis, for a qualified Long Term Care insurance policy. The policies must have the same owner(s) and insured(s). Both principal (basis) and tax-deferred gains are allowed to be exchanged to fund the LTCi premiums.

Contracts that can be exchanged under §1035



EXCHANGED FROM	EXCHANGED TO		LTCi
	Life Insurance	Non-Qualified Tax-Deferred Annuity	
Life Insurance	Yes	Yes	Yes
Non-Qualified Tax-Deferred Annuity	No	Yes	Yes

Payment Sources Not Allowed



- TQ LTCi may not be paid via a 401(k) retirement account³
- TQ LTCi may not be paid via an IRA account¹³
- TQ LTCi may not be paid through a cafeteria plan³
- TQ LTCi may not be paid through a FSA or similar arrangement³

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Taxation of LTCi Benefits



- Reimbursement benefits for qualified long term care services are not included in income^{1, 16}
- Per Diem (or indemnity) benefits are not included in income except amounts that exceed the greater of \$370 per day (2019, indexed) or total qualified LTC expenses^{1, 16, 20}

Return of Premium / Surrender Benefits



- Return of Premium benefits not subject to income tax upon death of insured (second-to-die if joint policy*)¹⁹
- Surrender value will be a lump sum payment to policyowner and included in gross income to the extent any premium deduction or exclusion was utilized¹⁹
- TQ LTCi surrender value may not be borrowed against or pledged¹⁸

EssentialLTC

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Sources

- | | | | |
|--------------------|-----------------------------|--------------------------|------------------------------------|
| 1. IRC § 104(a)(3) | 7. IRC § 213(d)(1)(C) | 13. IRC § 408 | 19. IRC § 7702B(b)(2)(C) |
| 2. IRC § 106(a) | 8. IRC § 213(d)(1)(D) | 14. IRC § 3121(a)(2) | 20. IRC § 7702B(d) |
| 3. IRC § 125(f) | 9. IRC § 213(d)(10) | 15. IRC § 7702B(a)(1) | 21. Pension Protection Act of 2006 |
| 4. IRC § 162(a) | 10. IRC § 213(f) | 16. IRC § 7702B(a)(2) | |
| 5. IRC § 162(l) | 11. IRC § 220(d)(2)(ii)(II) | 17. IRC § 7702B(a)(3) | |
| 6. IRC § 213(a) | 12. IRC § 223(d)(2)(c)(ii) | 18. IRC § 7702B(b)(1)(D) | |

* In NJ second insured referred to as "Additional Insured" - no references should be made to "joint" coverage.

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