



Qualified Individual COVERAGE

Premiums paid for a qualified long-term care insurance policy may be eligible for a federal income tax deduction subject to 7.5 percent of adjusted gross income and a specified dollar limitation. The dollar limits are indexed for inflation each year.

2010 MAXIMUM DEDUCTIBLE LIMITS

AGE	PER INDIVIDUAL	PER COUPLE
40 & under	\$330	\$660
41–50	\$620	\$1,240
51–60	\$1,230	\$2,460
61–70	\$3,290	\$6,580
71 & up	\$4,110	\$8,220

Note: These amounts are subject to change each year.

For example, a 62 year old (in 2010) individual with an adjusted gross income of \$50,000 who incurs \$7,000 of unreimbursed medical expenses and pays \$3,300 per year in LTC premium could receive the following tax deduction:

The minimum amount of medical expenses needed to qualify for a deduction is **\$3,750** ($\$50,000 \times 7.5\% = \$3,750$).

The maximum LTC premium deduction for the insured's age is **\$3,290** (See table above).

Total qualifying medical expenses are **\$10,290**
($\$7,000 \text{ med. exp.} + \$3,290 \text{ LTC exp. deduct.} = \$10,290$).

ACTUAL QUALIFYING ITEMIZED TAX DEDUCTION OVER THE 7.5% THRESHOLD IS \$6,530
($\$10,290 \text{ total med. exp.} - \$3,750 \text{ min. threshold} = \$6,530$).

Internal Revenue Code § 7702B(d)(4) states that for calendar year 2010, the per diem limitation regarding periodic payments received under a qualified LTCI contract is \$290. Amounts over the daily \$290 limit could be taxed unless used for qualified LTC services.



Benefit & Premium TAXABILITY

The following information provides an overview on the impact of the Health Insurance Portability and Accountability Act of 1996 (HIPAA) on the taxability of qualified LTC contracts. HIPAA may provide a tax incentive for individuals to take financial responsibility for their LTC needs.

- Both the employee and the employer can make premium contributions. There are no limits on the amount an employer may contribute in the form of LTC insurance premiums. These premium contributions are treated as medical expenses and may be tax deductible to the employer.
- Premiums paid by the employer on behalf of an employee generally may be excluded from the employee's gross income.
- Benefits paid to an employee through a tax-qualified LTC policy could be excluded from their gross income.
- Premium contributions made by an employee may be deductible for individuals if itemized medical expenses exceed 7.5% of their adjusted gross income.
- Premiums for LTC can be an acceptable expenditure for the new medical savings accounts that are available to self-employed and small businesses with fewer than 50 employees.
- Premium contributions for LTC insurance may be tax deductible by a self-employed individual, subject to the limits on deductions for health insurance by the self-employed.



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America's Home for Long-Term Care Insurance

A representative from GOLDENCARE USA who is a licensed agent/producer can show you an outstanding combination of benefits and services at affordable rates. You, your employees, and any eligible family members will have the flexibility to select the most suitable coverage. For assistance, call GOLDENCARE USA at 1-800-842-7799.

This guide is intended to provide a general overview of certain tax laws applicable to long-term care insurance policies. This guide is based upon interpretations of federal tax law as of January 1, 2010. Changes in the law may affect the information, including any examples. This guide should not be relied upon in deciding whether to purchase long-term care insurance, and is not a substitute for professional tax advice. You should seek the advice of your own attorney, accountant, and/or tax advisor to discuss any and all tax issues related to the long-term care insurance contract.

2010 EMPLOYER GUIDE

TAX BENEFITS

of
Qualified Long-Term Care
Insurance Protection

LTC

The Costs and Effects of Providing or Needing Long-Term Care are Considerable

The annual cost of lost productivity to companies from long-term care responsibilities for their employees is \$25 billion a year or about \$4,000 per employee.¹

Nearly 60% of caregivers in the U.S. are employed either full or part time and half of the U.S. labor force will be caregivers within the next five years.²

Employees who are caregivers often have to turn down promotions or that require travel or relocation away from aging relatives.²

Nearly two-thirds or 63% of all caregivers ages 51-64 work, most full-time; 75% are primary caregivers.²

Up to 30% of employees have eldercare responsibilities, and 40% of those also have children at home.²

The costs of caregiving to caregivers themselves are more than a simple accounting of hours. They include direct out-of-pocket expenses, economic insecurity caused by changes in work patterns, and health effects.³

¹ National Clearing House for LTC Information - 2008 U.S. Dept. of Health & Human Services

² Retention Strategies - How Employers Can Support Working Caregivers www.aarp.org

³ AARP Public Policy Institute, November 2008

CORPORATIONS

C—Corporations

Because long-term care insurance is considered accident and health insurance, C-corporations may generally deduct 100% of their LTC premium contributions as a general business expense. This deduction can be taken for ALL employees (including spouses, dependents and retirees) and is not subject to age-based limits.

The employer is not required to provide LTC insurance on a non-discriminatory basis. They may deduct premium contributions whether coverage is provided under a group policy or under individual policies.

Premium contributions made on behalf of employees are generally excluded from their income. The income exclusion applies to the full amount of an employer's premium contribution, even if the cost exceeds age-based limits on deductibility for individuals (Internal Revenue Code Sections 106 and 213).

Sub-S Corporations

For employees of a Sub-S Corporation, premiums paid by the employer are generally excluded from the employee's gross income.

Owner/shareholders in a Sub-S Corporation with more than 2% ownership are not treated as employees for the purposes of LTC insurance. The premiums paid by the Sub-S Corporation must be included in the shareholder's gross income. Owner/shareholders of Sub-S Corporations follow the same guidelines for deductions as Self-Employed individuals.

PARTNERSHIPS

Partnerships

For employees (including spouses, dependents and retirees), a partnership may deduct any premium contributions for LTC insurance using the same rules as outlined for corporations.

LTC insurance premium contributions for partners, their spouses and dependents are considered income. The amount of premium contributions attributable to each partner will be included in that partner's income and reported by the partnership on each partner's K-1. *Partners, their spouses and dependents can apply the same guidelines for deductions as Self-Employed individuals. (See "Self-Employed" panel.)*

Limited Liability Corporations (LLC)

For employees of a Limited Liability Corporation, premiums paid by the employer are generally excluded from the employee's gross income.

Owner/shareholders in a LLC with 10% or greater ownership are not treated as employees for the purposes of LTC insurance. The premiums paid by the LLC must be included in the shareholder's gross income. *Owner/shareholders of LLC follow the same guidelines for deductions as Self-Employed individuals. (See "Self-Employed" panel.)*

SELF-EMPLOYEED

Self-Employed

For 2010, self-employed persons may deduct 100% of premiums paid for LTC insurance up to a specific dollar amount (see below), which is the same as individual LTC Coverage. Premiums for a spouse and dependents are also deductible without regard to the 7.5% AGI threshold (IRS Code Section 162).

The percentage of eligible TQ LTCI premium that can be deducted as self-employed health-insurance.

Year	Percentage
2003 and thereafter	100%

For example: A self-employed 62 year old (in 2010) with an adjusted gross income of \$50,000, who pays \$3,300 per year in LTC premium, could receive a deduction of \$3,290 (which is the maximum deduction allowed for the insured's age).

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Note: These amounts are subject to change each year.

How are benefits taxed for the self-employed? The benefits received by a self-employed individual are generally excludable from gross income, subject to the same limitations as individual taxpayers.