2024 Tax Advantages of Qualified Long Term Care Insurance

Long Term Care

Understanding the tax advantages and benefits of qualified long term care insurance (LTCi) can be advantageous when working in both individual and employer group sales markets. Please note that the tax information provided is an interpretation of federal guidelines. Clients should consult with their tax advisors regarding any tax-related issues.

2024 eligible LTC premiums at-a-glance

Attained age before the close of taxableyear	Eligible annual LTC premiums 2023 tax year
40 and younger	$470
41 - 50	$880
51 - 60	$1,760
61 - 70	$4,710
71 and older	$5,880

Individuals

Qualified LTCi premiums and expenses are deductible personal medical expenses for those who itemize. For additional information, see section 213(d) of the Internal Revenue Code (IRC). Only unreimbursed medical expenses in excess of 7.5% of adjusted gross income are deductible based on the government's 2023 age-based table.

Pass through entities

A self-employed person may deduct 100% of premium paid for the individual, as well as the individual's spouse and dependents, up to the maximum eligible allowed as indicated in the above chart (without regard to the unreimbursed medical expenses in excess of 7.5% of adjusted gross income mentioned above).

Limited liability corporations, partnerships and s-corporation 2%+ owners

The above entity business owners are all treated as if they are partners. LTCi premiums have been classified as health insurance. When the business pays the premium, it is 100% tax deductible by the business entity. The LTCi premium becomes taxable income to the business owner as "guaranteed"* income. From the business owner's tax return and applicable schedule used for business income and expenses, the eligible premium for long term care will be an above-the-line tax deduction.

C-Corporations, PC corporations, and tax-exempt organizations

The above businesses may deduct, as a business expense, all qualified LTCi premiums paid for its employees, employees' spouses, and dependents, as well as retirees and their spouses. This includes the business owner, who is considered an employee of the corporation. The employer's contributions toward the cost of the premium are not included as imputed income to the employee.

Contributory arrangements

When the employer and the employee share the cost of the LTCi premium, the company may deduct all premiums it contributes for qualified LTCi plans as a business expense. Premiums paid for spouses and dependents of employees are treated similarly. For federal income tax purposes, the employee's portion of the premium is treated as if paid by the individual and is deductible—subject to the age-based limits for individual taxpayers—if the employee's total unreimbursed medical expenses, including qualified LTCi premiums, exceed 10% of the employee's adjusted gross income as noted for individuals.

Per diem contracts

For calendar year 2023, the per-diem limitation regarding periodic payments received under a qualified LTCi policy is $410 per day.

Source: Internal Revenue Code, Rev. Proc. 2022-38, https://www.irs.gov/pub/irs-drop/rp23-34.pdf

**All guarantees subject to the claims paying ability of the issuing insurer.*