

# 2023 Tax Summary

## Tax-Qualified Long-Term Care Insurance (LTCI)

Type of Taxpayer	Premium Deduction (Traditional or Hybrid Life + TQ LTCI Policies)												
Individual Taxpayer Who Does NOT Itemize	No deduction.												
Individual Taxpayer Who Itemizes Deductions (Schedule A)	<p><b>Treated as accident and health insurance.</b> IRC §7702B(a)(1)</p> <p><b>Limited to lesser of actual premium paid or eligible LTCI premium.</b> IRC §§213(d)(1)(D), 213(d)(10)</p> <p><b>Eligible LTCI premium in 2023 (indexed):</b></p> <table border="1"> <thead> <tr> <th>Attained age in tax year</th> <th>Deductible premium limit</th> </tr> </thead> <tbody> <tr> <td>Age 40 or less</td> <td>\$480</td> </tr> <tr> <td>Age 41 - 50</td> <td>\$890</td> </tr> <tr> <td>Age 51 - 60</td> <td>\$1,790</td> </tr> <tr> <td>Age 61 - 70</td> <td>\$4,770</td> </tr> <tr> <td>Age 71 and older</td> <td>\$5,960</td> </tr> </tbody> </table> <p><b>Medical expense deduction is allowable to extent that such expenses (including payment of Eligible LTCI premium) exceed 7.5% of AGI.</b> IRC §§213(a), 213(f)</p>	Attained age in tax year	Deductible premium limit	Age 40 or less	\$480	Age 41 - 50	\$890	Age 51 - 60	\$1,790	Age 61 - 70	\$4,770	Age 71 and older	\$5,960
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HSA, HRA & MSA	<b>Eligible LTCI premium is a qualified medical expense.</b> IRC §213(d)(1)(O)												
Employee (W-2) (NON-owner)	<p><b>Premium paid by employee</b> (e.g., "voluntary" or payroll deduction):</p> <ul style="list-style-type: none"> <li>• May NOT be paid through pre-tax cafeteria plan. IRC §125(f)</li> <li>• May NOT be paid through FSA or similar arrangement. IRC §106(c)</li> <li>• Deductible by employee who itemizes (subject to limitations above).</li> </ul> <p><b>Premium paid by employer</b> (ANY business type):</p> <ul style="list-style-type: none"> <li>• Employer provided LTCI treated as accident and health plan. IRC §7702B(a)(3)</li> <li>• Deductible by employer - NOT limited to eligible premium (subject to reasonable compensation). May also include spouse and other eligible tax dependents. IRC §162(a)</li> <li>• Total premium excluded from employee's income (NOT limited to eligible premium). Not subject to FICA, etc. IRC §106(a)</li> </ul>												

Type of Taxpayer	Premium Deduction (Traditional or Hybrid Life + TQ LTCI Policies)
<p><b>C-Corporation Shareholder/Employee (with W-2):</b></p> <p>Includes PCs and LLCs taxed as a C-corporation.</p>	<p><b>HSA treated as employee</b> (see above).</p> <p>(NOTE that premiums may NOT reduce or be allocated against any individual's compensation in any form; the premiums must be a true corporate expense.)</p>
<p><b>"Self-Employed" Business Owners:</b></p> <p>Includes sole proprietor, partner, s-corporation &gt;2% shareholder/employee (W-2) and member of an LLC or PC taxed as any of above.</p> <p><b>NOTE:</b> Limited Liability Corporation (LLC) is a legal, not tax, entity — based on how the entity files.</p>	<p><b>Eligible for Self-Employed Health Insurance Deduction, which is taken "above-the-line" on Line 16 of IRS Form 1040 Schedule 1 (2020). May also include spouse or other eligible tax dependents. IRC §162(l)</b></p> <p><b>Limited to lesser of actual premium paid or Eligible LTCI premium.</b> IRC §§213(d)(1)(D), 213(d)(10)</p> <p><b>For eligible LTCI premium in 2023 see above chart; Deduction is NOT limited to 7.5% of AGI threshold.</b></p>

## TAXATION OF BENEFITS

**Reimbursement** benefits are not included in income.

IRC §§104(a)(3), 7702B(a)(2)

**Per diem (or indemnity)** benefits are not included in income except amounts that exceed the greater of either:

- \$420 per day (2023 indexed),
- Total qualified LTC expenses

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

## RETURN OF PREMIUM (NON-FORFEITURE) BENEFITS:

- 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 premium

IRC §7702B(b)(2)(C)

## HYBRID LIFE + LTC INSURANCE

LTC benefits paid from a Tax-Qualified (7702B) annuity or life insurance "Hybrid Life + LTC or Linked-Benefit" plan are tax-free as noted above. IRC §7702B(e)

Cash surrenders from a LTCI linked-benefit plan that paid LTCI benefits may have a reduced cost-basis. IRC §72(e)(11)

The annuity or life insurance portion of the premium in "Hybrid Life + LTC or Linked-Benefit" LTCI plans are NOT deductible. (Separate TQ LTCI continuation rider premiums may be deductible.)

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