Certification for Long-Term Care

# CLTC® 2026 Tax Summary

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

<table>
<tr><th>Type of Taxpayer</th><th>Premium Deduction<br>(Traditional Policies)</th></tr>
<tr><td>Individual taxpayer who does NOT itemize</td><td>No deduction.</td></tr>
<tr><td>Individual taxpayer who itemizes deductions<br>(Schedule A)</td><td>Treated as accident and health insurance.<br>IRC §7702B(a)(1)<br>Limited to <u>lesser of</u> actual premium paid <u>or</u> eligible L TCI premium.<br>IRC §§213(d)(1)(D), 213(d)(10)<br><br>Eligible LTC premium in 2026 (indexed):<br><table><tr><th>Attained age in tax year</th><th>Deductible premium limit</th></tr><tr><td>Age 40 or less</td><td>$500</td></tr><tr><td>Age 41 - 50</td><td>$930</td></tr><tr><td>Age 51 - 60</td><td>$1,860</td></tr><tr><td>Age 61 - 70</td><td>$4,960</td></tr><tr><td>Age 71 and older</td><td>$6,200</td></tr></table><br>Medical expense deduction is allowable to extent that such expenses (including payment of Eligible LTCI premium) exceed 7.5% of AGI<br>IRC §§213(a), 213(f), Revenue Procedure 2025-32</td></tr>
<tr><td>HSA, HRA & MSA</td><td>Eligible LTCI premium is a qualified medical expense.<br>IRC §213(d)(1)(D)</td></tr>
<tr><td>Employee (W-2)<br>(NON-owner)</td><td>Premium paid by <u>employee</u><br>(e.g., "voluntary" or payroll deduction):<br>• May NOT be paid through pre-tax cafeteria plan. IRC §125(f)<br>• May NOT be paid through FSA or similar arrangement. IRC §106(c)<br>• Deductible by employee who itemizes (subject to limitations above)<br><br>Premium paid by employer (ANY business type):<br>• Employer provided LTCI treated as accident and health plan. IRC §7702B(a)(3)<br>• Deductible by employer - NOT limited to Eligible premium (subject to reasonable compensation). May also include spouse and other eligible tax dependents. IRC §162(a)<br>• Total premium excluded from employee's income (NOT limited to Eligible premium). Not subject to FICA, etc. IRC §106(a)<br>• Benefits remain tax-free (See additional content on pg. 2)</td></tr>
<tr><td>C-Corporation<br>Shareholder I Employee<br>(with W-2)<br>Including PCs and LLCs taxed as a C-corporation.</td><td>Treated as employee. (See above)<br><br>(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.)</td></tr>
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| **"Self-employed" business owners:**<br><br>Sole Proprietor, Partner, S-Corporation >2% Shareholder / employee (W-2). Member of an LLC or PC taxed as any of above.<br><br>*NOTE: Limited Liability Corporation (LLC) is a legal, not tax, entity – based on how the entity files.* | **Eligible for Self-Employed Health Insurance Deduction, which is taken "above-the-line" on Line 17 of IRS Form 1040 Schedule 1 (2023). May also include spouse or other eligible tax dependents.** *IRC §162(l)*<br><br>**Limited to lesser of actual premium paid or Eligible LTCI premium.** *IRC §§213(d)(1)(D), 213(d)(10)*<br><br>**For eligible LTCI premium in 2026 see above chart; Deduction is NOT limited to 7.5% of AGI threshold.** |

## Taxation of Benefits

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

*IRC§§104(a)(3), 7702B(a)(2)*

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**Per diem (or indemnity)** benefits are not included in income except for amounts that exceed:

- $430 per day (2026 indexed), or
- Total qualified LTC expenses.

*IRC §§104(a)(3), 7702B(a)(2), 7702B(d) IRS Revenue Procedure 2025-32*

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**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)*

### Linked-Benefit LTCI

LTC benefits paid from a Tax-Qualified (7702B) annuity or life insurance "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)*

Premium payments for annuity or life insurance benefits in linked-benefit LTCI plans are NOT deductible. (Separate TQ LTCI continuation rider premiums may be deductible.)

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