



Long Term Care University

Long Term Care University – Question of the Month

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Q: We have family throughout the U.S. What federal and state tax benefits are available for long term care insurance?

The Problem – Foregoing Federal and State Tax Benefits

Too many long term care insurance policyholders forego valuable federal and state tax benefits because they simply do not know of their existence. As many policies are paid over a lifetime, foregone tax benefits could total thousands of dollars.

The Solution – Utilizing Federal and State Tax Benefits

Federal Tax Benefits. You can add the tax qualified long term care insurance premiums (limited to the chart below) to other medical expenses. Amounts in excess of 7.5% of adjusted gross income (AGI) can be itemized as a medical expense deduction on Schedule A of Form 1040 of your federal income tax return. Tax qualified long term care insurance premiums can be reimbursed through an HSA, tax-free up to the Eligible Premium amounts listed below.

<u>Age Before the Close of the Taxable Year</u>	<u>Premium Deduction Limit 2010</u>
40 or less	\$330
More than 40 but not more than 50	\$620
More than 50 but not more than 60	\$1,230
More than 60 but not more than 70	\$3,290
More than 70	\$4,110

State Tax Benefits. In addition to the federal tax benefits, 29 states and the District of Columbia offer tax deductions and/or credits for policyholders with qualified policies. Some states disallow simultaneous federal and state deductions. The details by state are listed below.

<u>State</u>	<u>Credit/Deduction</u>	<u>Details</u>	<u>State</u>	<u>Credit/Deduction</u>	<u>Details</u>
AL	Deduction	Amount of Premium	MT	Credit/Deduction	Credit up to \$5,000 or Deduction
AK	None	None	NE	Deduction	Deduction for NE LTC Savings Plan
AZ	None	None	NV	None	None
AR	Deduction	Same as Federal	NH	None	None
CA	Deduction	Same as Federal	NJ	Deduction	In Excess of 2% of Gross Income
CO	Credit	Lesser of 25% or \$150	NM	Credit/Exemption	Credit Age 65+ to \$2,800, Exemption
CT	None	None	NY	Credit	20%
DE	None	None	NC	Credit	Lesser of 15% or \$350
D.C.	Deduction	Up to \$500	ND	Credit	Lesser of 25% or \$100
FL	None	None	OH	Deduction	Amount of Premium Paid
GA	None	None	OK	Deduction	Same as Federal
HI	Deduction	Exceed 7.5% HI AGI	OR	Credit	Lesser of 15% or \$500
ID	Deduction	Amount of Premium	PA	None	None
IL	None	None	RI	None	None
IN	Deduction	Only IN Partnership Policies	SC	None	None
IA	Deduction	Amount of Premium	SD	None	None
KS	Deduction	Amount of Premium up to \$1,000	TN	None	None
KY	Exclusion	Amount of Premium	TX	None	None
LA	Credit	10%	UT	None	None
ME	Credit/Deduction	Employer Credit, Individual Deduction	VT	None	None
MD	Credit	100% up to \$320 to Age 40, \$500 41+	VA	Credit/Deduction	Credit 15% or Deduction
MA	None	None	WA	None	None
MI	None	None	WV	Deduction	Amount of Premium Paid
MN	Credit	Lesser of 25% or \$100	WI	Deduction	Amount of Premium Paid
MS	Credit	Lesser of 25% or \$500	WY	None	None

Action Step – Utilize Your Federal and State Tax Benefits

As this is not tax advice, work closely with your tax advisor to utilize every federal and state tax benefit available to you.

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