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Why Employers Should Offer Long Term Care

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Q: Can long term care insurance be offered as a company benefit to our employees? If so, are there any tax advantages for employers or employees? Are there still tax advantages for individuals who purchase a policy on their own?

The Problem – Attracting and Retaining Valuable Employees

A company's success or failure is oftentimes determined by the quality of its employees. Offering an attractive benefits package can be a key element in attracting and retaining the highest quality employees. Employees seek out benefits packages that offer a competitive salary, health insurance, retirement plan and long term care insurance. Both employers and employees recognize the hidden costs of giving long term care (interruptions and decreased productivity), as well as the staggering costs of long term care.

The Solution – Offer Long Term Care Insurance as a Company Benefit to Employees

Whether the business is a sole proprietor or multi-national corporation, long term care insurance can be offered as a company benefit. Unlike most company benefits, which prohibit the employer from discriminating, long care insurance can be offered on a limited or unlimited basis at the company's discretion. Employees of companies with multiple participants can receive simplified underwriting for themselves and their family members, portable coverage if they leave the employer and group discounts.

Tax Advantages for Employers

C corporations can deduct the full amount of tax qualified long term care insurance premiums paid for employees, their spouses and dependents as a business expense. Sole proprietors, partnerships, limited liability corporations (LLCs) and S corporations can follow the same guidelines with deductions limited to the full eligible amount (limited to the chart below). Employers paying for employees, their spouses and dependents domiciled in certain states may also be eligible for either tax credits or deductions for premiums they pay. For example, New York state provides a 20% tax credit.

Tax Advantages for Employees or Individuals Purchasing Their Own Policy

Employees and individuals purchasing their own tax qualified long term care policy receive benefits federal income tax free, up to \$280 per day (including indemnity benefits). Benefits above \$280 are still federal income tax free up to the actual long-term-care costs. Employees who pay all or a portion of the tax qualified long term care insurance premiums for themselves, spouses and dependents (and individuals purchasing their own policy) may be able to deduct all or a portion of the premium on their federal income tax return. Employees and individuals purchasing their own policy living in certain states may also be eligible for either tax credits or deductions for premiums they pay. For example, New York state provides a 20% tax credit.

Employees and individuals purchasing their own policy can add the tax qualified premium (limited to the chart below) to other medical expenses (health and dental insurance premiums, insurance co-payments, out-of-pocket prescription costs, and other unreimbursed 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 federal income tax return.

<u>Age Before the Close of the Taxable Year</u> <u>Limit 2010</u>	<u>Premium Deduction Limit 2009</u>	<u>Premium Deduction</u>
40 or less	\$320	\$330
More than 40 but not more than 50	\$600	\$620
More than 50 but not more than 60	\$1,190	\$1,230
More than 60 but not more than 70	\$3,180	\$3,290
More than 70	\$3,980	\$4,110

Action Step – Offer Long Term Care Insurance as a Company Benefit to Employees

Whether you are a sole proprietor, the benefits director of a mid sized LLC or the CEO of multi-national corporation, implementing long term care insurance as an employee benefit can have tremendous qualitative and quantitative benefits.



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