

## SmartFuture Long-Term Care Newsletter October 2008



**Nancy Curtin, CLTC**

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“To encourage individuals to purchase long-term care insurance, the federal government and many states offer tax deductions and tax incentives that increase yearly”

Source:  
[www.aaltci.org](http://www.aaltci.org)

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### The Tax Advantages of LTCi – From Nancy Curtin, CLTC

Long-term care is finally receiving some of the attention it deserves in Congress and on state legislative levels. There are numerous tax benefits that come with having LTC insurance, both at the federal level and at most state levels. And I believe we'll continue to see additional legislation that will benefit LTC policyholders by providing further tax incentives to individuals and corporations that purchase qualified long-term care insurance policies.

On a state level, a 20% credit is given to all holders of tax-qualified long-term care insurance policies within New York. This means that you will receive a state tax credit for 20% of the premiums you pay! Each state has different percentages for tax credits, so check with your accountant and be sure to code your long-term care premiums separately to receive your credit.

On a federal level, tax-qualified LTCi premiums are considered a medical expense. For individuals who itemize deductions, medical expenses are deductible to the extent that they exceed 7.5% of Adjusted Gross Income (AGI). The amount that one can deduct is based upon age, and is raised within groupings as age grows. LTCi premiums can also be paid from a Health Savings Account (HSA) and are subject to the age-attained limits. However, LTCi premiums cannot be reimbursed through a Flexible Spending Account (FSA).

LTC benefits paid to an individual are generally not taxable and are excluded from AGI. The per-diem limit for 2009 is \$280, which is a generous amount given current care costs. This means you can receive up to \$280 per day in benefits before you have to claim them as income. The limit increases each year to keep up with the inflation protection on your policy.

Self-employed individuals may deduct 100% of premium costs up to the federal age-attained limit, with no AGI threshold. LLC's and S Corporations are treated much the same, although there are some exceptions here on spousal allowances and premiums. C Corporations may deduct 100% of premiums as a business expense with no age-attained limits.

Remember that these are only the highlights. Tax breaks aside, keep in mind that the younger and healthier you are, the lower your premiums will be to begin with. Talk to your LTC Specialist and your Accountant to be sure you are getting every tax advantage that you are entitled to.

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In lieu of a monthly quote from a valued client, I wanted to share a recent personal experience. I recently had knee surgery, and although I am relatively young and in good physical health, I really felt the effects of not getting around as easily, moving more slowly, and needing assistance in so many areas. I got a taste of what it must be like for the truly disabled, the elderly, and others who need constant assistance just to perform simple day-to-day activities. Two things happened as a result of this— one, I am more committed than ever to making sure that no one I know is stuck without means to care for themselves in old age or major disability, and two, I am grateful that I have taken my own advice and have purchased a long-term care policy.

Nancy Curtin