



TAX GUIDE

2021 EDITION

2021 TAX BREAKS & INCENTIVES GUIDE FOR LONG TERM CARE INSURANCE

INDIVIDUALS

Current tax laws allow for the deduction of either the actual premium or the eligible premium paid on a tax-qualified long-term care insurance policy.

- **Actual premium** is the actual amount of premium paid
- **Eligible premium** is an amount determined annually by the federal government based on the medical care components of the Consumer Price Index and the age of the policyholder

If your combined medical expenses (tax-qualified LTCI and other medical expenses) exceed 7.5% of your Adjusted Gross Income (AGI), you may be eligible for a deduction. Any portion of LTCI premiums outside of the eligible premiums listed below cannot be includable as a medical expense.²

ELIGIBLE PREMIUM GUIDELINES		
Age before the close of the taxable year:	2020 LTCI Eligible Premium	2021 LTCI Eligible Premium
40 and under	\$430	\$450
41-50	\$810	\$850
51-60	\$1,630	\$1,690
61-70	\$4,350	\$4,520
71 and over	\$5,430	\$5,640

YOUR LTCI BENEFITS ARE INTENDED TO BE TAX-FREE

As long as the benefits you receive from your tax-qualified LTCI policy do not exceed the greater of your qualified long term care daily expenses or the per-day limitation of \$400 (2021 limit), your benefits should be tax-free.³

BUSINESS OWNERS

Depending on the tax structure of your business, there may be significant tax savings when you use business dollars to purchase long term care insurance.

TAX ADVANTAGES OF LONG TERM CARE INSURANCE	
Self-Employed Business Owners (Sole Proprietor, Partnership, LLC, S Corporations)	For Owners of C Corporations
<ul style="list-style-type: none"> • Actual premium may be tax deductible when the business purchases long term care insurance policies for employees. • Eligible premium may be tax deductible when the business purchases long term care insurance policies for the owner, spouse, or dependents. 	<ul style="list-style-type: none"> • Actual premium may be tax deductible when the business purchases long term care insurance policies for owner/employee, spouse, dependents, or Employees

