



# Long Term Care University

## Long Term Care University – Question of the Month

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**Q: Can Combination and Life and Long Term Care Insurance (Combo or Hybrid) be offered as a company benefit? If so, are there any tax advantages for employers or employees? Are there tax advantages for individuals who buy a policy on their own?**

### The Problem – Attracting and Retaining Valuable Employees with Competitive Compensation

Offering an attractive benefits package can be a key element in attracting and retaining the highest quality employees.

### 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 term care insurance can be offered on a limited basis to certain classes of employees or on an unlimited basis at the company's discretion.

### Tax Advantages for Businesses and Employees

**C corporations** can deduct the **full amount** of Combination base and continuation premiums paid for owners and employees, their spouses and dependents as a business expense. The base premium is reported as compensation to the owners and employees.

**Sole proprietors** cannot deduct the owner's base premium, but can deduct the owner's continuation premium subject to age limits.

**Sole proprietors** can deduct employees' base and continuation premiums. The base is reported as compensation to the employee.

**Partnerships, LLCs and S Corps** can deduct the owners' base and continuation premiums. The base and continuation premiums are reported as compensation to the owners. The continuation premium is subject to age limits.

**Partnerships, LLCs and S Corps** can deduct the employees' base and continuation premiums. The base premium is reported as compensation to the employees.

Combination Life and Long Term Care Insurance Tax Benefits				
Portion of Policy	Individuals	Sole Proprietors	Partnerships LLCs and S Corps	C Corps
Base	No	No Owner Yes Employees (b)	Yes Owners (b) Yes Employees (b)	Yes Owners (b) Yes Employees (b)
Continuation	Yes Excess of 7.5% of AGI if 65+ (a) Yes Excess of 10% of AGI if <65 (a) Yes HSA Qualified Medical Expense (a)	Yes Owner (a) Yes Employees	Yes Owners (a) (b) Yes Employees	Yes Owners Yes Employees
(a) Subject to age based limits (b) Reported as compensation received				

### Tax Advantages for Individuals Purchasing Their Own Policy

Individuals and employees may be able to deduct all or a portion of the continuation premium. They can add the continuation premium to other medical expenses, including health insurance premiums. **Amounts in excess of 10% (7.5% if 65 years old or over) of adjusted gross income (AGI) can be itemized as a medical expense deduction on Schedule A of Form 1040 of federal income tax return, limited to the age based limits chart below.** Premiums paid from an HSA are **not subject to AGI rules**, but subject to the age based limits chart below.

Long Term Care Insurance Tax Benefits Age Based Limits		
Age Before the Close of the Taxable Year	Premium Deduction Limit 2015	Premium Deduction Limit 2016
40 or Less	\$380	\$390
More than 40 but not more than 50	\$710	\$730
More than 50 but not more than 60	\$1,430	\$1,460
More than 60 but not more than 70	\$3,800	\$3,900
More than 70	\$4,750	\$4,870

### Action Step – Offer Long Term Care Insurance as a Company Benefit to Employees and Take Advantage of Tax Benefits

Whether you are a sole proprietor, the benefits director of a mid sized LLC or the CEO of a multi-national corporation, implementing long term care insurance as an employee benefit can have tremendous qualitative and quantitative benefits. Request your insurance consultant provide you quotations from multiple vendors before choosing a plan.

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