



Long Term Care University

Long Term Care University – Question of the Month

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Q: Can Hybrid Life and Long Term Care Insurance 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 who is offered a benefit, 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 the Hybrid base or acceleration (BoA) premiums and continuation or extension (CoE) premiums paid for owners and employees, their spouses and dependents as a business expense. The BoA premiums are reported as compensation to the owners and employees.

Sole proprietors cannot deduct the owner's BoA premiums, but can deduct the owner's CoE premiums, subject to the age based limits below.

Sole proprietors can deduct employees' BoA and CoE premiums. The BoA premiums are reported as compensation to the employee.

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

Partnerships, LLCs and S Corps can deduct the employees' BoA and CoE premiums. The BoA premiums are reported as compensation to the employees.

Hybrid Life and Long Term Care Insurance Tax Benefits				
Portion of Policy	Individuals	Sole Proprietors	Partnerships LLCs and S Corps	C Corps
Base or Acceleration	No	No Owner Yes Employees (b)	Yes Owners (b) Yes Employees (b)	Yes Owners (b) Yes Employees (b)
Continuation or Extension	Yes Excess of 7.5% of AGI (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 CoE premiums. They can add the CoE premiums to other medical expenses, including health insurance premiums. **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 the 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 2021	Premium Deduction Limit 2022
40 or Less	\$450	\$450
More than 40 but not more than 50	\$850	\$850
More than 50 but not more than 60	\$1,690	\$1,690
More than 60 but not more than 70	\$4,520	\$4,510
More than 70	\$5,640	\$5,640

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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