State Tax Incentives for LTCi

Many states offer tax incentives to encourage the purchase of LTCi. Below is a general summary of state specific tax information for your reference. The information in this flyer is current through **December 2011** and is subject to change.

AL Deduction for amount of premium paid for qualifying guaranteed renewable LTCi policy.

AK*

AZ*

AR**

CA**

CO Credit for taxpayer & taxpayer's spouse in an amount equal to 25% of total premiums paid during tax year, up to $150 for each policy. Available to taxpayers with federal taxable income <$50,000 or two individuals filing a joint return with taxable income <$50,000 if credit is claimed for one policy, joint filers with income of <$100,000 if credit is claimed for two policies.

CT*

DE**

DC Deduction—Not to exceed $500 per year, per individual for annual LTCi premiums paid.

FL*

GA**

HI Deduction—Same as federal tax law, except subject to 7.5% of HI adjusted gross income, instead of federal adjusted gross income.

ID For taxable years beginning January 1, 2004 and after, the full amount of the premium paid by a taxpayer for LTCi which is for the benefit of the taxpayer, a dependent of the taxpayer or an employee of a taxpayer can be deducted from taxable income to the extent the premium is not otherwise deducted by taxpayer.

IL*

IN Deduction up to full cost of premium paid for qualified LTCi for taxpayer & taxpayer's spouse.

IA Taxpayers can claim LTCi premiums itemized on the federal return as an itemized deduction on their state return. The full amount of premium paid for LTCi can be deducted from taxable income to the extent the premium is not otherwise deducted.

KS For tax years beginning in 2005, a subtraction from federal adj. gross income for $500 in the tax year 2005, increasing each year by $100 until 2010. After 2010, it is a $1,000 subtraction from the federal adj. gross income for premium costs for qualified LTCi.

KY Deduction from adjusted gross income allowed for any amount paid during the tax year for LTCi premiums.

LA*

ME Deduction of full premium for individual taxpayers. Applies to premiums paid for LTCi policies that have been certified by the DOI. Deduction is limited to extent the premiums are not claimed as an itemized deduction on federal tax return. For employers, a credit is allowed against the tax imposed for each taxable year equal to the lowest of the following: (A) $5,000; (B) 20% of the costs incurred by the taxpayer in providing LTC policy coverage as part of the benefit package; or (C) $100 for each employee covered by an employer-sponsored LTCi policy.

MD Credit—Taxpayer is allowed a one-time credit against the state income tax in an amount equal to 100% of eligible LTCi premium paid. The credit may not exceed $500 for each insured, may not be claimed by more than one taxpayer with respect to the same individual and may not be claimed if the insured was covered by LTCi before July 1, 2000. No carryover is allowed. For employers, a credit up to an amount equal to 5% of the costs incurred by the employer during the taxable year for providing LTCi as part of the benefit package. The credit may not exceed $5,000 or $100 for each employee covered by LTCi under the benefit package.

MA*

MI*

MN Credit allowed for LTCi premiums equal to the lesser of: (1) 25% of premiums paid to the extent not deducted in determining federal taxable income; or (2) $100. The maximum allowable credit per year is $200 for couples filing jointly and $100 for all other filers.

MS Credit—Equal to 25% of premium costs paid during the taxable year for a qualified policy for self, spouse, parent, parent-in-law, or dependent. The credit cannot exceed $500.

MO Deduction—Taxpayers may deduct 100% of all nonreimbursed amounts paid for qualified LTCi premiums to the extent such amounts are not included in itemized deductions.

MT Deduction for entire amount of qualified LTCi premiums covering taxpayer, taxpayer's parents, grandparents & dependents provided insured is a MT resident. Credit allowed for qualified elder care expenses paid by an individual for care of a qualified family member. Premiums paid for LTCi coverage for qualifying family member are included in qualified elder care expenses. Credit not allowed if premium deduction is taken.

NE Taxpayers can receive a tax deduction up to $1,000 (single) or $2,000 (married, filing jointly) for contributions toward LTC expenses (including insurance premiums) as part of a long term care savings plan. Taxpayers can also claim LTCi premiums itemized on the federal return as an itemized deduction on their state return.

NV*

NH*

NJ Deduction of LTCi premiums may be taken if they exceed 2% of adjusted gross income and cannot be reimbursed.

NM Deduction for LTCi premiums may be taken if not already itemized on the federal tax return. The following deduction amounts are allowed (married, filing jointly): Adj. gross income <$30,000, a 25% deduction, $30,000-$70,000, a 15% deduction, and >$70,000, a 10% deduction. Deduction amounts allowed (single or married, filing separately): Adj. gross income <$15,000, a 25% deduction, $15,000-$35,000, a 15% deduction, and >$35,000, a 10% deduction. Deduction amounts allowed (head of household): Adj. gross income <$20,000, a 25% deduction, $20,000-$50,000, a 15% deduction, and >$50,000, a 10% deduction. Same schedule applies for all premiums or LTC services not covered under the federal tax law.

NY Credit for 20% of premium paid for qualifying LTCi premiums. Taxpayer is permitted to carry over to future tax years any credit amount in excess of taxpayer's tax liability for the year. Employers are eligible for a credit equal to 20% of the premiums paid during the tax year for the purchase of, or for continuing coverage under, a LTCi policy. The credit is not refundable and the credit may not reduce the tax to less than the minimum tax due.

NC Credit allowed for premiums paid on LTCi for taxpayer, taxpayer's spouse or dependent in an amount equal to 15% of the premium costs, up to $350 for each policy on which the credit is claimed as long as adj. gross income meets the following limitations: Married Filing Separately <$50,000; Single <$60,000; Head of Household <$80,000; Married Filing Jointly or Qualifying Widower <$100,000.

ND Taxpayers can claim LTCi premiums itemized on the federal return as an itemized deduction on their state return. A credit is available to residents or spouses with Partnership LTCi for premiums paid up to a maximum of $250 (single) or $500 (married).

OH Deduction of federally qualified LTCi premiums for taxpayer, taxpayer's spouse and dependents to the extent deduction is not allowed in computing federal adj. gross income.

OK**

OR Credit equal to the lesser of 15% of premiums paid during the tax year or $500 for LTCi coverage for individual, dependent or parents. For employers, a credit of $500 is allowed for each employee covered by an employer-sponsored policy.

PA*

RI**

SC**

SD*

TN*

TX*

UT Taxpayers can claim LTCi premiums itemized on the federal return as an itemized deduction on their state return. The full amount of premium paid for LTCi can be deducted from taxable income to the extent the premium is not otherwise deducted.

VT**

VA Credit—Taxpayer allowed 15% credit for LTCi premiums paid provided the individual has not claimed a deduction for federal income tax purposes. Any unused credit may be carried over against the income taxes in the next five years or until the full credit is used.

WA*

WV Deduction for LTCi premiums covering taxpayer, taxpayer's spouse, parents & dependents to the extent the amount paid for LTCi is not deducted in determining federal income tax.

WI Deduction allowed for taxpayer & taxpayer's spouse for 100% of the amount paid for a LTCi policy to the extent the same deduction is not taken for federal income tax purposes.

WY*

* No Credit Or Deduction. No Broad-Based State Income Tax.
** Same As Federal Tax Law (see reverse side of flyer for details).

Taxpayers may need to meet state specific requirements to qualify for deductions or credits for LTCi. MedAmerica does not provide tax advice. For information regarding the tax liability of a case, consultation with a tax consultant or legal advisor is recommended.

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Federal Tax Incentives for LTCi

The 1996 Health Insurance Portability and Accountability Act (HIPAA) provides favorable tax treatment of premiums and benefits for qualified LTCi policies. The law allows taxpayers to deduct certain LTCi premiums and unreimbursed LTC expenses paid on behalf of themselves or their dependents. It also provides that employer-sponsored LTCi plans qualify for the same favorable tax treatment as health plans.

The federal tax incentives are as follows:

1. Employer premium contributions for qualified LTCi are excludable from employee income, except for contributions under a cafeteria plan or flexible spending account/arrangement. Employers may deduct their qualified premium contributions as trade or business expenses.

2. Self-employed individuals may deduct qualified LTCi premiums as health insurance expenses, under special rules with specified maximum caps.

3. Tax-free distributions from medical and health savings accounts may be used to pay qualified LTCi premiums up to specified maximum caps.

4. Qualified LTCi premiums not covered by provisions 1-3 are deductible from income, as itemized medical expenses, to the extent that such expenses exceed 7.5 percent of adjusted gross income, with specified maximum caps. The maximum caps for the annual amount of qualified LTCi premium eligible for the tax favored treatment in provisions 2-4 are indexed for inflation and increase with attained age, currently ranging from $350 for policyholders up to age 40 to $4,370 for policyholders beyond age 70 (see chart below).

IRS Maximum Federal Income Tax Deductible Amounts for 2012

Age	Maximum Deductible Limit Per Individual
Under Age 40	$350
41-50	$660
51-60	$1,310
61-70	$3,500
Over 70	$4,370

Internal Revenue Code § 7702B(d)(4) states that for calendar year 2012, the per diem limitation regarding periodic payments received under a qualified LTCi contract is $310. Amounts over the $310 daily limit could be taxed **unless** used for qualified LTC services.

For example, if you received home care and it totaled $320 per day and your benefits paid $320 per day, you would be over the $310 per diem limitation by $10 (or $300 per month), but because the surplus is paying for qualified LTC services, it would **not** be taxed. However, if your home care totaled $310 per day and your benefits paid $320 per day, there is a possibility that the additional $10 (or $300 per month) could be taxed.

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