

BUSINESS TAX TREATMENT OF LONG-TERM CARE INSURANCE

- Under the current tax laws, you and your client could benefit from a tax-qualified Long Term Care Insurance policy. We have featured a few examples below. Other interpretations of current law are possible. As always, you should consult your own tax advisor or attorney about these and other related tax issues.

<i>Business Type</i>	<i>Situation</i>	<i>Business Tax Benefit</i>	<i>Personal Tax Benefit</i>
C Corporation	Business/501c Organization pays the premium	100% of premium deductible	Premium not considered taxable income; Benefits are tax-free
Professional Corporation	Business/501c Organization pays the premium	100% of premium deductible	Premium not considered taxable income; Benefits are tax-free
S Corporation	Business pays the premium on employee and/or shareholder who owns <u>less than 2% interest</u> Business pays the premium on employee and/or shareholder who owns <u>more than 2% interest</u>	100% of premium deductible Shareholder/employee may deduct 100% of <u>eligible premium*</u> as a business expense	Premium not considered taxable income; Benefits are tax-free Personal deduction may be taken for premium not counted as business expense, subject to personal medical threshold
Partnerships: LLC's and LLP's	Business pays the premium for <u>non-partner employee</u> Business pays the premium for <u>partner</u> not covered by another plan through any employer	100% of premium deductible 100% of <u>eligible premium*</u> deductible as a business expense	Premium not considered taxable income; Benefits are tax-free Premium included in partner's gross income; Benefits are tax free Personal deduction for remainder of premium subject to personal medical expense threshold
Self-Employed (Not a C-Corp)	Business pays premium for individual not covered by a LTC policy maintained by his/her spouse' employer	100% of <u>eligible premium*</u> deductible as a business expense	Premium not considered taxable income; Benefits are tax-free Personal deduction for remainder of premium subject to personal medical expense threshold

* The amount of premium treated as a medical expense as defined in Section 213(d) of the Internal Revenue Code. Eligible premiums are based on age. Please note that is our interpretation of HIPPA, and there are other interpretations that may be more liberal. Please advise your clients to consult with their tax advisors