

Tax Treatment of Tax Qualified Long Term Care Insurance (LTCI) Premiums

Individuals

Type of Taxpayer	Premium Deduction																		
Individual taxpayer who does not itemize	No Deduction ¹																		
Individual taxpayer who itemizes deductions	<p>Treated as medical insurance premiums.² Limited to the lesser of the actual premium paid or the amount per person from an age-related table that caps maximum deductible premiums. Table is adjusted annually for inflation. See below:</p> <table border="1"> <thead> <tr> <th>Age</th> <th>2025 Max Deductions³</th> <th>2026 Max Deductions⁴</th> </tr> </thead> <tbody> <tr> <td>Age 40 or younger</td> <td>\$480</td> <td>\$500</td> </tr> <tr> <td>Age 41-50</td> <td>\$900</td> <td>\$930</td> </tr> <tr> <td>Age 51-60</td> <td>\$1,800</td> <td>\$1,860</td> </tr> <tr> <td>Age 61-70</td> <td>\$4,810</td> <td>\$4,960</td> </tr> <tr> <td>Age 71 and older</td> <td>\$6,020</td> <td>\$6,200</td> </tr> </tbody> </table> <p>Premium deduction is effective to the extent that the deductible premium above added to taxpayer paid medical premiums and deductible out-of-pocket medical expenses exceeds 7.5% of the taxpayers AGI.⁵</p>	Age	2025 Max Deductions ³	2026 Max Deductions ⁴	Age 40 or younger	\$480	\$500	Age 41-50	\$900	\$930	Age 51-60	\$1,800	\$1,860	Age 61-70	\$4,810	\$4,960	Age 71 and older	\$6,020	\$6,200
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IRA Owners	IRAs may not own LTCI, and IRA distributions may not be rolled tax-free to LTCI. Distributions, after tax, may pay LTCI premiums.																		
Flexible Spending Accounts (FSAs)	FSAs may not reimburse LTCI premium. ⁶ LTCI may not be paid through an employer provided cafeteria plan. ⁷																		
Health Savings Accounts (HSAs)	LTCI premiums can be reimbursed through an HSA, tax-free, up to the age-related cap. HSA may be inside an employer provided cafeteria plan. ⁸																		

Purchased through a business or employer

Employees (Non-Owners)	<p>Premiums paid by employees:</p> <ul style="list-style-type: none"> Deductible by the employee who itemizes as an individual tax payer. May not be paid through section 125 or 401 (k) accounts.⁹ <p>Premiums paid by employer:</p> <ul style="list-style-type: none"> Deductible by employer¹⁰ Not taxable to employee¹¹ Not limited to the age-related cap on deduction Not subject to 7.5% of AGI threshold 																		
C Corporation Owner-Employee	Treated as employee ¹²																		
Other Business Owners:	<p>May be treated as a business expense for medical insurance premiums.¹³ Limited to the lesser of the actual premium or the amount per person from an age-related table that caps maximum deductible premiums.¹⁴ Table is adjusted annually for inflation. See below:</p> <table border="1"> <thead> <tr> <th>Age</th> <th>2025 Max Deductions³</th> <th>2026 Max Deductions⁴</th> </tr> </thead> <tbody> <tr> <td>Age 40 or younger</td> <td>\$480</td> <td>\$500</td> </tr> <tr> <td>Age 41-50</td> <td>\$900</td> <td>\$930</td> </tr> <tr> <td>Age 51-60</td> <td>\$1,800</td> <td>\$1,860</td> </tr> <tr> <td>Age 61-70</td> <td>\$4,810</td> <td>\$4,960</td> </tr> <tr> <td>Age 71 and older</td> <td>\$6,020</td> <td>\$6,200</td> </tr> </tbody> </table>	Age	2025 Max Deductions ³	2026 Max Deductions ⁴	Age 40 or younger	\$480	\$500	Age 41-50	\$900	\$930	Age 51-60	\$1,800	\$1,860	Age 61-70	\$4,810	\$4,960	Age 71 and older	\$6,020	\$6,200
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¹IRC Sec. 63(b).

⁴IRS Proc. 2025-32

⁷IRC Sec. 125(f)(2).

¹⁰IRC Secs. 213(a) and (d).

¹²IRC Sec. 106(a).

²IRC Sec. 7702B(a)(1).

⁵IRC Sec. 213 (f).

⁸IRC Sec. 106(d)

¹¹IRC Sec. 105 (b).

¹³IRC Sec. 162(l).

³IRS Proc. 2024-40

⁶IRC Sec. 106(c).

⁹IRC Sec. 125(f)(2).

¹⁴IRC Sec. 213(d)(10)(A).

LTCI and the Tax Codes

Treatment of qualified long-term care insurance:¹

a) In general, For purposes of this title—

- (1) a qualified long-term care insurance contract shall be treated as an accident and health insurance contract,
- (2) amounts (other than policyholder dividends, as defined in section 808, or premium refunds) received under a qualified long-term care insurance contract shall be treated as amounts received for personal injuries and sickness and shall be treated as reimbursement for expenses actually incurred for medical care (as defined in section 213(d)),
- (3) any plan of an employer providing coverage under a qualified long-term care insurance contract shall be treated as an accident and health plan with respect to such coverage,
- (4) except as provided in subsection (e)(3), amounts paid for a qualified long-term care insurance contract providing the benefits described in subsection (b)(2)(A) shall be treated as payments made for insurance for purposes of section 213(d)(1)(D), and
- (5) a qualified long-term care insurance contract shall be treated as a guaranteed renewable contract subject to the rules of section 816(e).

Taxation of Benefits:

Reimbursement benefits qualified LTC Services are not taxed. Per Diem or Indemnity benefits are not taxed except those benefits that exceed the greater of:²

- Total qualified LTC services charged, or \$430 (2026)

Return of Premium (ROP) Benefit:¹

- Available only upon total surrender or death.
- May not be borrowed or pledged.
- Not taxable at death.
- Taxable upon policy surrender to the extent premiums were deducted.

Linked-Benefit LTCI

LTC benefits paid from a Tax-Qualified annuity or life insurance "linked-benefit" plan are generally considered tax-free as noted above. (IRC Sec. 7702B)

Premium payments for annuity or life insurance linked-benefit plans are not deductible, *unless* there is no cash value for the portion being deducted.

Insurance carriers may incorporate separate LTC agreement premium payments for Acceleration of Benefits, Extension of LTC Benefits or Inflation Protection Agreements with those charges paid directly to the carrier for those LTC benefit. If the costs for those are separate and never part of the cash value of the policy, those *may* be deductible up to the age-based limitations⁴.

LTCI is not subject to ERISA:³

(1) Group health plan The term "group health plan" means an employee welfare benefit plan providing medical care (as defined in section 213(d) of title 26) to participants or beneficiaries directly or through insurance, reimbursement, or otherwise. Such term shall not include any plan substantially all of the coverage under which is for qualified long-term care services (as defined in section 7702B(c) of title 26).

¹IRC Sec. 7702B(b)(2)(C).

²IRS Procedure 2025-32.

³IRC Sec. 1167

⁴IRC Sec. 7702B(e)(1) and 7702B(e)(2)



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