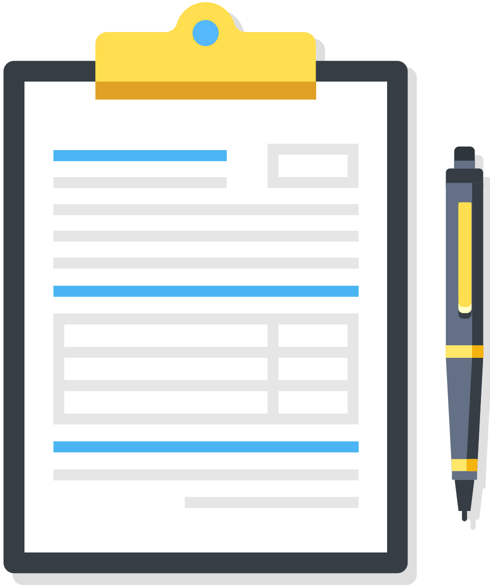
2026 LTCi TAX SUMMARY

The tax treatment of Tax-Qualified Long-Term Care insurance (TQ LTCi) premiums and benefits can be an important part of the decision to purchase Long Term Care insurance.



Below is a summary of the income tax treatment of TQ LTCi policies for 2026.

This is offered for education and information only. It is not intended to constitute tax or legal advice. For information on a specific situation, always consult with an attorney or tax advisor for the tax implications of TQ LTCi policies.

TQ LTCi is a guaranteed renewable insurance contract that provides benefits for long-term care expenses, does not pay or reimburse for expenses that would be covered by Medicare, does not provide a cash surrender value that can be borrowed, assigned, or pledged as collateral for a loan, and must meet certain specified consumer protection requirements. For income tax purposes, TQ LTCi is generally treated as accident and health insurance.[18, 21, 25]

Individual Taxpayer

Individual Who Does Not Itemize Deductions

- Premium is not deductible

Individual Who Itemizes Deductions (Schedule A)

- Premium is deductible as a medical expense, to the extent medical expenses (including Eligible Long-Term Care Premiums) exceed 7.5% of adjusted gross income (AGI)[8]
- Limited to the lesser of the actual premium paid or Eligible Long-Term Care Premiums in **Table 1**[9, 10]

Eligible Long-Term Care Premiums[9, 10, 29]

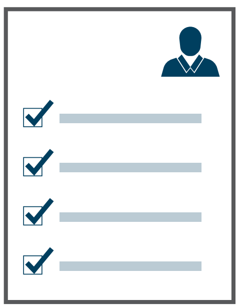
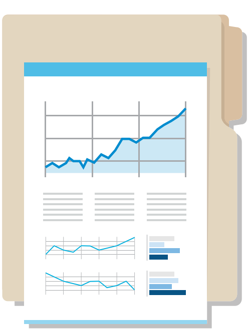


TABLE 1

Attained age before the close of the taxable year 2026:	The limitation is:
Age 40 or less	$500
Age 41-50	$930
Age 51-60	$1,860
Age 61-70	$4960
Age 71 and older	$6,200

C-Corporation Owners & Employees

(including Limited Liability Company (LLC) and Professional Corporation (PC) taxed as a C-Corporation)

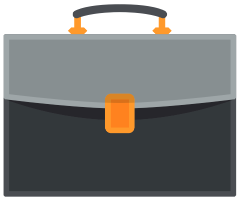


Employer-provided LTCi is treated as an accident and health plan[20]

- Employer-paid premiums deductible by employer subject to reasonable compensation rules[6, 20]
- Not limited to Eligible Long-Term Care Premiums in **Table 1**[18, 20]
- Employer-paid premium is not included in employee's income[3, 20]
- Employer may also pay premium for spouses, retirees, and eligible tax dependents[26, 27]

Self-Employed Taxpayer

Sole Proprietor, Partner in a Partnership (or LLC taxed as Partnership), 2% plus Shareholder of S-Corp (or LLC or PC taxed as S-Corp)



Tax Treatment of Premium for Self-Employed Taxpayer

- Is eligible for the Self-Employed Health Insurance Deduction,[7] which is taken on the appropriate schedule on IRS Form 1040
  - Deduction is limited to the lesser of actual premium paid or Eligible Long-Term Care Premiums in **Table 1**[9, 10]

IRS Publication 535

Details on the Self-Employed Health Insurance Deduction (pages 20-24)

irs.gov/pub/irs-pdf/p535.pdf

Tax Treatment if S-Corp, LLC, or Partnership Pays Premium

- Employer-paid premium for owners & their spouses deductible by employer[6, 15]
  - Deducted premium is included in gross income of owners, partners, their spouses, and eligible tax dependents[1, 13]
- Employer-paid premium for non-owner employees, their spouses, and retirees follow the same rules as a C-Corporation

Tax Treatment of LTCi Benefits

Benefits Paid for Qualified Long Term Care Expenses

- TQ LTCi reimbursement benefits for qualified long term care expenses are not included as income[2, 19]
  - LTCi benefits paid on a reimbursement basis are payments based on actual charges of eligible long term care expenses incurred, up to the daily or monthly benefit maximum selected under the TQ LTCi policy.

Refund of Premium Benefits

- Available only upon total surrender or death of insured (second to die if joint policy*)[23]
- May not be borrowed, assigned, or pledged as collateral for a loan[22]
- Included in gross income to the extent that any deduction or exclusion was allowed with respect to the premiums paid[23]

* In NJ second insured referred to as "Additional Insured" - no references should be made to "joint" coverage.

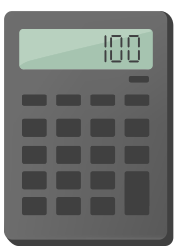
1035 Exchange & The Pension Protection Act

The Pension Protection Act of 2006 (effective 1/1/2010) amended the IRC § 1035 rules to allow the surrender value of non-qualified, tax-deferred annuities or the cash surrender value of life insurance policies to be exchanged, on a tax-free basis, for a TQ LTCi policy. Both principal (basis) and tax-deferred gains can be exchanged to fund the TQ LTCi premiums.

Contracts that can be exchanged under §1035

EXCHANGED FROM	**EXCHANGED TO**		
	Life Insurance	Non-Qualified Tax-Deferred Annuity	**LTCi**
Life Insurance	Yes	Yes	**Yes**
Non-Qualified Tax-Deferred Annuity	No	Yes	**Yes**

Premium Payment Sources



Health Saving Accounts and Archer Medical Savings Accounts

Individuals may pay TQ LTCi premium from a Health Savings Account[12] or an Archer MSA[11] as a medical expense. The pre-tax amount that can be used from these accounts is limited to the lesser of actual premium paid or Eligible Long Term Care Premiums in **Table 1**.[9]

Premium payment sources that may not be tax free

Withdrawing funds from the following types of accounts to pay for TQ LTCi premium may trigger a taxable event:

- 401(k) retirement account[28]
- IRA account[14]
- Cafeteria plan[5]
- Flexible spending or similar arrangement[4]

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Sources

1. IRC § 61
2. IRC § 104(a)(3)
3. IRC § 106(a)
4. IRC § 106(c)
5. IRC § 125(f)
6. IRC § 162(a)
7. IRC § 162(l)
8. IRC § 213(a)
9. IRC § 213(d)(1)(D)
10. IRC § 213(d)(10)
11. IRC § 220(d)(2)(B)(ii)(II)
12. IRC § 223(d)(2)(C)(ii)
13. Rev. Rul. 91-26, 1991-1 CB 184
14. IRC § 408 (d)(1)
15. IRC § 707(c)
16. IRC § 3121(a)
17. IRC § 3306(b)
18. IRC § 7702B(a)(1)
19. IRC § 7702B(a)(2)
20. IRC § 7702B(a)(3)
21. IRC §7702B(b)
22. IRC § 7702B(b)(1)(D)
23. IRC § 7702B(b)(2)(C)
24. IRC § 7702B(d)
25. IRC § 7702B(g)
26. Treas. Reg. § 1.106-1
27. Rev. Rul. 62-199, 1962-2 CB 32; Rev. Rul. 82-196, 1982 C.B. 53.
28. IRC § 402(a)
29. Rev. Proc. 2024-40