LONG TERM CARE INSURANCE PREMIUM DEDUCTIBILITY QUICK REFERENCE GUIDE[1]

Type of Business	Circumstance	Deductibility
Sole Proprietor	Employer pays premiums for employees' policies.	Employer deducts 100% of premium expense. Premiums paid by employer not included in employee's taxable income. Benefits received from policy not included in recipient's taxable income.
	Sole proprietor pays premiums for own policy.	Deducts lesser of actual premiums paid and eligible long term care insurance premium (see chart on reverse).[2] Benefits received from policy not included in recipient's taxable income.
Partnership	Employer pays premiums for employees' policies.	Employer deducts 100% of premium expense. Premiums paid by employer not included in employee's taxable income. Benefits received from policy not included in recipient's taxable income.
	Partnership pays premiums for partners' policies.	Premiums attributed to each partner included in their income. Partner deducts lesser of actual premiums paid and eligible long term care insurance premium (see chart on reverse).[3] Benefits received from policy not included in recipient's taxable income.
C Corporation (includes charities – 501(c)(3))	Employer pays premiums for employees' policies.	Employer deducts 100% of premium expense. Premiums paid by employer not included in employee's taxable income. Benefits received from policy not included in recipient's taxable income.
S Corporation	Employer pays premiums for employees' policies (including 2% and less shareholders).	Employer deducts 100% of premium expense. Premiums paid by employer not included in employee's taxable income. Benefits received from policy not included in recipient's taxable income.
	S Corporation pays premiums for greater than 2% shareholders' policies.	Premiums attributed to each greater than 2% shareholder included in their income. Greater than 2% shareholder deducts lesser of actual premiums paid and eligible long term care insurance premium (see chart on reverse).[4] Benefits received from policy not included in recipient's taxable income.
Limited Liability Company[6]	Employer pays premiums for employees' policies.	Employer deducts 100% of premium expense. Premiums paid by employer not included in employee's taxable income. Benefits received from policy not included in recipient's taxable income.
	LLC pays premiums for owner/members' policies.	Premiums attributed to each owner/member included in their income. Owner/member deducts lesser of actual premiums paid and eligible long term care insurance premium (see chart on reverse).[5] Benefits received from policy not included in recipient's taxable income.

Long Term Care Insurance products underwritten by *Genworth Life Insurance Company*

1 Current tax law generally allows deductibility of qualified long term care insurance premiums paid for policies covering an individual, his or her spouse, and dependents (when paid for outright or received in connection with employment).
2 IRC Sec. 162(l)(1)(B).
3 IRC Sec. 162(l)(1)(B), Rev. Rul. 91-26, 1991-15 I.R.B. 23
4 IRC Sec. 162(l)(1)(B), Rev. Rul. 91-26, 1991-15 I.R.B. 23
5 IRC Sec. 162(l)(1)(B), Rev. Rul. 91-26, 1991-15 I.R.B. 23
6 This applies if LLC is taxed as partnership.

This material only discusses the federal income tax treatment of long term care insurance.
Consult with a qualified tax advisor for advice on including Long Term Care Insurance in compensation and benefits planning.

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2008 Eligible Long Term Care Insurance Premiums Age-Based Deduction Limits

Age	Amount Deductible[1]
40 or under	$310
41 through 50	$580
51 through 60	$1,150
61 through 70	$3,080
71 and above	$3,850

[1] IRC Sec. 213(d)(10)(A). Rev. Proc. 2007-66, 2007-45 I.R.B. 970

The age-based limits are indexed annually (to nearest $10) to increases in the medical care cost category of the Consumer Price Index.

An individual taxpayer may deduct qualified long term care insurance premiums subject to two limitations. First, any premiums greater than the above age-based limits are not deductible. Second, premiums under or equal to the above limits are deductible only to the extent that such premiums, together with any unreimbursed medical expenses the taxpayer has paid for himself or herself, his or her spouse, and dependents, exceed 7.5% of the taxpayer's adjusted gross income.

As discussed above, certain business persons may take deductions for amounts specified by the above table without regard to the 7.5% of taxpayer's adjusted gross income threshold for deductibility of medical expenses. These business persons may include a sole proprietor, a partner in a general partnership, a greater than 2% shareholder in an S corporation, or owner in an LLC that does not choose to be taxed as a C corporation.

References under the "Circumstance" column to "Employer" and "Employee" refer to long term care insurance premiums paid in the employment context as an employee benefit. Other references under the "Circumstance" column refer to policies purchased by the employer as self-employed for himself or herself, and spouses and dependents. Generally, amounts received under a long term care insurance policy to pay for costs actually incurred for long term care are treated as reimbursements for medical care, and are not included in taxable income. However, if amounts received under a long term care insurance policy plus accelerated death benefits received from a life insurance policy do not represent reimbursement for long term care, such payments could be taxable income to the recipient if they exceed the per diem rate established by the IRS (or the actual cost of long term care, whichever is greater). For 2008 the per diem rate is $270.

If the recipient is terminally ill when he or she receives accelerated death benefits under a life insurance policy, such benefits do not count towards the per diem rate calculation. Otherwise, the excess of amounts received from a long term care insurance policy (plus accelerated death benefits if applicable) over the per diem rate (or the actual cost of long term care, whichever is greater) is taxable income to the recipient.

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