CLTC® 2026 Tax Summary

Tax-Qualified Long-Term Care Insurance (LTCI)

<table>
<tr><th>Type of Taxpayer</th><th>Premium Deduction
(Traditional Policies)</th></tr>
<tr><td>**Individual taxpayer who does NOT itemize**</td><td>**No deduction.**</td></tr>
<tr><td>**Individual taxpayer who itemizes deductions**
(Schedule A)</td><td>**Treated as accident and health insurance.**
IRC §7702B(a)(1)
Limited to lesser of actual premium paid or eligible L TCI premium.
IRC §§213(d)(1)(D), 213(d)(10)

Eligible LTC premium in 2026 (indexed):
<table>
<tr><th>Attained age in tax year</th><th>Deductible premium limit</th></tr>
<tr><td>Age 40 or less</td><td>$500</td></tr>
<tr><td>Age 41 - 50</td><td>$930</td></tr>
<tr><td>Age 51 - 60</td><td>$1,860</td></tr>
<tr><td>Age 61 - 70</td><td>$4,960</td></tr>
<tr><td>Age 71 and older</td><td>$6,200</td></tr>
</table>

Medical expense deduction is allowable to extent that such expenses (including payment of Eligible LTCI premium) exceed 7.5% of AGI
IRC §§213(a), 213(f), Revenue Procedure 2025-32</td></tr>
<tr><td>**HSA, HRA & MSA**</td><td>**Eligible LTCI premium is a qualified medical expense.**
IRC §213(d)(1)(D)</td></tr>
<tr><td>**Employee (W-2)**
(NON-owner)</td><td>**Premium paid by employee**
(e.g., "voluntary" or payroll deduction):
• May NOT be paid through pre-tax cafeteria plan. *IRC §125(f)*
• May NOT be paid through FSA or similar arrangement. *IRC §106(c)*
• Deductible by employee who itemizes (subject to limitations above)

Premium paid by employer (ANY business type):
• Employer provided LTCI treated as accident and health plan. *IRC §7702B(a)(3)*
• Deductible by employer - NOT limited to Eligible premium (subject to reasonable compensation). May also include spouse and other eligible tax dependents. *IRC §162(a)*
• Total premium excluded from employee's income (NOT limited to Eligible premium). Not subject to FICA, etc. *IRC §106(a)*
• Benefits remain tax-free (See additional content on pg. 2)</td></tr>
<tr><td>**C-Corporation Shareholder I Employee (with W-2)**
Including PCs and LLCs taxed as a C-corporation.</td><td>**Treated as employee. (See above)**

(NOTE that premiums may NOT reduce or be allocated against any individual's compensation in any form; the premiums must be a true corporate expense.)</td></tr>
</table>

"Self-employed" business owners: Sole Proprietor, Partner, S-Corporation >2% Shareholder / employee (W-2). Member of an LLC or PC taxed as any of above. *NOTE: Limited Liability Corporation (LLC) is a legal, not tax, entity – based on how the entity files.*	**Eligible for Self-Employed Health Insurance Deduction, which is taken "above-the-line" on Line 17 of IRS Form 1040 Schedule 1 (2023). May also include spouse or other eligible tax dependents.** *IRC §162(l)* **Limited to lesser of actual premium paid or Eligible LTCI premium.** *IRC §§213(d)(1)(D), 213(d)(10)* **For eligible LTCI premium in 2026 see above chart; Deduction is NOT limited to 7.5% of AGI threshold.**

Taxation of Benefits

Reimbursement benefits are not included in income.

IRC§§104(a)(3), 7702B(a)(2)

Per diem (or indemnity) benefits are not included in income except for amounts that exceed:

- $430 per day
  (2026 indexed), <u>or</u>
- Total qualified LTC expenses.

IRC §§104(a)(3), 7702B(a)(2), 7702B(d) IRS Revenue Procedure 2025-32

Return of premium (non-forfeiture) benefits:

- Available only upon total surrender or death.
- May not be borrowed or pledged.
- Included in gross income to extent of any deduction or exclusion allowed with respect to premium.

IRC §7702B(b)(2)(C)

<u>Linked-Benefit LTCI</u>

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

Cash surrenders from a LTCI linked-benefit plan that paid LTCI benefits may have a reduced cost-basis. *IRC§72(e)(11)*

Premium payments for annuity or life insurance benefits in linked-benefit LTCI plans are NOT deductible. (Separate TQ LTCI continuation rider premiums may be deductible.)

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