

THE NEED FOR LONG-TERM CARE

Q:

What does the federal tax code allow employers to deduct for LTCI benefits?

A:

Employers can offer long-term care benefits tailor-made for their employees at a relatively low cost. And the federal tax code allows employers to deduct as a business expense both the cost of setting up a long-term care plan for their workers and any contribution they make toward tax-qualified long-term care insurance (LTCI) premiums.

There are also some LTCI tax benefits for employees. Premiums they pay are treated the same way as medical expenses. These expenses are deductible to the extent that if combined with other un-reimbursed medical expenses, they exceed 7.5 percent of a workers' adjusted gross income. Also, employer-paid LTC benefits are not considered taxable income; out-of-pocket expenses for LTC are deductible; and LTCI benefits, from a "tax-qualified" policy as defined by HIPAA, are not considered income. Please consult your company tax advisor for further clarification on how this affects your business.

Retirement plans assist employees to learn about Wealth Accumulation, LTCI plans educate employees about the importance of Wealth Preservation.

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