

2016 Tax Summary

Tax Qualified Long-Term Care Insurance (LTCI)

TYPE OF TAXPAYER	DEDUCTION OF PREMIUMS	TAXATION OF BENEFITS												
Individual taxpayer who does NOT itemize deductions	No LTCi premium deduction available													
Individual taxpayer who itemized deductions	<p>LTCi is treated as accident and health insurance IRC §7702B(a)(1)</p> <p>Deduction is limited to the lesser of actual premium paid or eligible LTCi premium amounts IRC 213(d)(1)(D), 213(d)(10). Eligible LTCi premium is 2016:</p> <table border="1" style="margin-left: 20px;"> <thead> <tr> <th>Attained age in tax year</th> <th>Limitation on premium</th> </tr> </thead> <tbody> <tr> <td>40 or less</td> <td>\$390</td> </tr> <tr> <td>41-50</td> <td>\$730</td> </tr> <tr> <td>51-60</td> <td>\$1,460</td> </tr> <tr> <td>61-70</td> <td>\$3,900</td> </tr> <tr> <td>71 and older</td> <td>\$4,870</td> </tr> </tbody> </table> <p>Medical expense deduction is allowable to extent that such expenses (included payment of eligible LTCi premium) exceed 10% of AGI IRC 213(d)(10). Please review code to determine income eligibility and phase in period</p>	Attained age in tax year	Limitation on premium	40 or less	\$390	41-50	\$730	51-60	\$1,460	61-70	\$3,900	71 and older	\$4,870	<p>Reimbursement benefits are not included in income IRC 104 (a)(d), 7702B(a)(2)</p>
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MSA & HSA	Eligible LTCi Premium is considered a qualified medical expense IRC 213 (d)(1)(D)													
Employee (non-owner)	<p>LTCi premium paid by employee:</p> <ul style="list-style-type: none"> Deductible by employee who itemized (Subject to limitations above) May NOT be paid through a cafeteria plan IRC 125(f) May NOT be paid through an FSA or similar arrangement IRC 106(c) <p>LTCi premium paid by employer:</p> <ul style="list-style-type: none"> Employer provided LTCi is treated as an accident and health plan IRC 7702B(a)(3) Deductible by employer (subject to reasonable compensation) IRC 162(a) Total (not eligible) LTCi premium paid is excluded from employee's income IRC 106(a) 	<p>Per diem (indemnity) benefits are not included in income, except those amounts which exceed the greater of:</p> <ul style="list-style-type: none"> Total qualified LTC expenses \$330 per day (in 2015) IRC 7702B(d)(4), 7702B(a)(2), 7702B(d) 												
C-Corporation (shareholder/employee with W-2)	Treated as "Employee" (see above)													
Sole-Proprietor	Eligible for Self-Employed health insurance deduction, which is take "above the line" Line 29 of IRS form 1040 IRC 162(l)													
S-Corporation (greater than 2% shareholder with W-2)	Limited to lesser of actual LTCi premium paid or eligible LTCi premium IRC 213(d)(1)(D), 231 (d)(10)													
Partnership (any %)	<p>Eligible LTCi premium is 2016:</p> <table border="1" style="margin-left: 20px;"> <thead> <tr> <th>Attained age in tax year</th> <th>Limitation on premium</th> </tr> </thead> <tbody> <tr> <td>40 or less</td> <td>\$390</td> </tr> <tr> <td>41-50</td> <td>\$730</td> </tr> <tr> <td>51-60</td> <td>\$1,460</td> </tr> <tr> <td>61-70</td> <td>\$3,900</td> </tr> <tr> <td>71 and older</td> <td>\$4,870</td> </tr> </tbody> </table>	Attained age in tax year	Limitation on premium	40 or less	\$390	41-50	\$730	51-60	\$1,460	61-70	\$3,900	71 and older	\$4,870	
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Limited Liability Corporation (LLC) is a legal, not tax filing – ask how the entity files	<p>Deduction is NOT limited to 10% of AGI threshold (outlined above.)</p>	<p>Non-forfeiture benefits (return of premium benefit):</p> <ul style="list-style-type: none"> 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 												

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