

Federal and New York State Tax Advantages of Long-Term Care Insurance

If you have looked into purchasing long-term care insurance, you know that it is an expensive proposition. However, there are some tax advantages related to the premium payments for long-term care insurance.



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Viewpoint

If you are an employee and itemize your deductions, you can deduct a portion of your long-term care insurance premium as a medical expense on Schedule A of your 1040, itemized deductions.

Premiums for qualifying long-term care insurance policies for individuals under 65 may be deducted to the extent that they, along with other non-reimbursable medical expenses, exceed 10 percent of the person's adjusted gross income. If the individual is age 65 or older, the 10 percent figure

is reduced to 7.5 percent. The maximum deductions for 2016 for long-term care insurance premiums paid (these

amounts increase annually) are as follows:

Age as of the End of the Taxable Year

	40 and under	41-50	51-60	61-70	70 and older
Amount of Deduction	\$390	\$730	\$1,460	\$3,900	\$4,870

If you are self-employed, you may be able to deduct premiums that you pay for medical, dental, and qualifying long-term care insurance premiums for yourself, your spouse, and your dependents. This is a deduction on page 1 of Form 1040 and is not an itemized deduction subject to the percentage of adjusted gross-income limitations as a medical expense under itemized deductions.

Partners and LLC members who are treated as partners for tax purposes may also be able to deduct health and long-term care insurance premiums as a straight deduction and not limited as an itemized deduction as a medical expense under certain circumstances.

Additionally, if you are a New York state resident you are entitled to a credit on your state tax return if you or your business pay premiums for qualifying long-term care insurance policies. The credit is 20 percent of the premiums.

Therefore, while long-term care insurance appears to be quite expensive, if you are unlucky enough to get sick and be in need of long-term care, then the insurance definitely softens the blow on protecting your assets and income. And, deductions and credits are available to reduce the actual cost of the long-term care insurance. ■

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