2026 TRENDS AND TAX CHANGES —LTC POLICIES

For 2026, a key scheduled change for long-term care insurance (LTC) policies involves the increase in tax-deductible limits for premiums paid on tax-qualified LTC insurance policies. The IRS has raised the maximum deductible limits by approximately 3 percent compared to 2025. For example, for individuals aged 70 or older, the deductible limit increases from $6,020 in 2025 to $6,200 in 2026. These higher limits mean policyholders, especially small and mid-sized business owners and retirees, may deduct more of their LTC premium costs from their taxes.

However, this tax benefit applies only to federal tax-qualified LTC policies, not to popular hybrid or linked-benefit policies that combine LTC with life insurance or other coverage. Additionally, there are broader regulatory and reimbursement changes related to long-term care hospitals and Medicaid impacting the LTC ecosystem, but the major direct LTC insurance policy change centers on the updated IRS deductible limits and their impact on potential tax advantages.

Summary of 2026 LTC Insurance Policy Changes:

- **IRS tax-deductible premium limits raised by about 3%.**
- **New 2026 deductible limits by age group (e.g., $6,200 max for age 70+).**
- **Only tax-qualified LTC insurance policies qualify for these deductions.**
- **Popular hybrid LTC policies generally do not qualify.**
- **These tax deductions benefit especially small business owners and retirees with significant medical expenses.**

2026 LTC Premium Deduction Limits

Age Bracket (Attained Age Before Year End)	2026 Deduction Limit (per individual)
40 or less	$500
41 to 50	$930
51 to 60	$1,860
61 to 70	$4,960
71 and older	$6,200

The tax advantages of tax-qualified long-term care (LTC) insurance policies include:

- Tax-Deductible Premiums: Premiums paid for federally tax-qualified LTC insurance policies may be deductible as medical expenses on your federal income tax return, subject to IRS age-based limits and the medical expense threshold (currently 7.5% of adjusted gross income). This can provide substantial tax savings, especially for older individuals.
- Tax-Free Benefit Payments: Benefits received from a tax-qualified LTC policy are generally not considered taxable income, meaning claim payments for qualified LTC services typically do not increase your taxable income.
- Business Deduction Opportunities: For business owners, premiums paid towards qualified LTC insurance may be fully deductible as a business expense, which can create significant tax advantages, particularly for small and mid-sized business owners.
- Consumer Protections and Standards: To qualify as tax-qualified, LTC policies must meet federal standards (such as benefit triggers based on activities of daily living or cognitive impairment), ensuring a baseline of consumer protections and consistency in coverage.

In summary, tax-qualified LTC insurance policies provide potential premium deductions, tax-free benefits, and advantageous deduction opportunities for business owners, making them financially attractive for long-term care planning under IRS rules.

To calculate the deductible portion of a hybrid long-term care (LTC) insurance premium, follow these general steps:

1. **Identify the LTC Portion of the Premium: Determine the part of the total hybrid policy premium that is allocated specifically to the LTC coverage, separate from the life insurance or other components. This may be provided by the insurance carrier on your policy statement or premium invoice.**
2. **Confirm Tax-Qualified Status: Verify that the LTC portion qualifies as a federal tax-qualified LTC insurance contract (under IRC Section 7702B), as only premiums on tax-qualified LTC coverage are potentially deductible.**
3. **Apply IRS Age-Based Premium Limits: Use the IRS deductible premium limits for your age group for the tax year (2026 limits available). These limits cap the amount of LTC premium that can be considered deductible.**

4. Compare LTC Premium Portion Against Limits: The deductible premium is the lesser of the actual LTC portion paid or the IRS age-based limit.

5. Apply Medical Expense Threshold: If claiming the deduction on your individual tax return, you can include the LTC premium as part of itemized medical expenses, which are deductible only for amounts exceeding 7.5% of your adjusted gross income (AGI).

Example:

- **Hybrid policy total premium: $10,000 annually**
- **LTC portion allocated by insurer: $4,000**
- **IRS deductible limit for your age in 2026: $5,000**
- **Medical expense threshold: 7.5% of AGI (e.g., if AGI is $60,000, threshold is $4,500)**

Deductible premium = lesser of $4,000 (actual LTC portion) or $5,000 (IRS limit) = $4,000