2021 Long Term Care Insurance Tax Deduction

The benefits of tax-qualified long term care insurance policies are generally received tax-free by the policyholder.

Your premiums may be tax-deductible or you may qualify for a tax credit.

All Traditional LTC policies and a very limited number of certain hybrid policies with separately identifiable LTC premium components will offer tax deductibility. OneAmerica Asset Care, Securian SecureCare and Nationwide CareMatters II will offer tax deductibility. Lincoln Moneyguard, Brighthouse SmartCare and Pacific Life PremierCare will not offer tax deductibility.

Long Term Care Insurance Federal Tax Deductions

For owners of Sub-Chapter C Corporations the tax benefits of long term care insurance policies are exceptional.

When a C Corporation purchases long term care insurance on behalf of any of its employees, spouses or dependents, the corporation is eligible to take a 100% tax deduction as a business expense on the total of the premiums paid.

For entities other than C Corporations, there are age-based limitations for long term care insurance tax deductions.

Long Term Care Insurance Tax Guide

Long Term Care Insurance Tax Deductions for Individuals

Tax-qualified policies are considered medical expenses. For an individual who itemizes income tax deductions, long-term care insurance premiums are tax deductible to the extent the premiums exceed 10 % of an individual's adjusted gross income (AGI).

The amount of the insurance premium treated as a medical expense is limited to the age-based numbers in the table below.

You may also use your Health Savings Account to withdraw your LTC insurance premiums, subject to the age-based limitations.

Long Term Care Insurance Tax Deductions for Self-Employed Business Owners

A self employed individual may deduct 100% of his/her premium up to the 2021 age-based eligible premium amounts listed below.

Age 40 and below	$450
Age 41-50	$850
Age 51-60	$1690
Age 61-70	$4520
Age 71 and over	$5640

Long Term Care Insurance Tax Deductions for Corporations

Tax Deductions for Owners of Partnerships, Subchapter S Corporations, and LLCs

Partners of a Partnership, members of an LLC, or shareholders of greater than 2% of a Subchapter S Corporation are taxed as self-employed individuals. The entity pays the long term care insurance premium. The partner, member, shareholder includes the premium in its AGI. The partner, member, shareholder may deduct the age-based eligible amount on its tax return. ***It is not necessary to meet the 10 % AGI threshold.***

Tax Deductions for Owners of Subchapter C Corporations

When a C Corporation purchases long term care insurance on behalf of any of its employees, spouses or dependents, the corporation is eligible to take a ***100% tax deduction as a business expense on the total of the premiums paid*** .

The long term care insurance premium tax deduction is not subject to the age-based limitations in the table above.

The employer may even discriminate and be selective on the class of employees it wishes to elect to cover with long term care insurance benefits.

State Tax Deductions and Credits for Long Term Care Insurance

ALABAMA
Individuals are allowed an itemized deduction for qualified long term care insurance contract to the extent that the amount does not exceed specified limitations. The amounts of the itemized deductions are indexed. Business entities, whether incorporated or not, may deduct long term care insurance as reasonable compensation expenses.

ALASKA*
No tax benefits presently.

ARIZONA*
No tax benefits presently

ARKANSAS**
A tax deduction is allowed to the limits provided in the Federal Internal Revenue Code (see above for details)

CALIFORNIA
A tax deduction is allowed to the limits provided in the Federal Internal Revenue Code (see above for details)

COLORADO
A tax credit is allowed for the lesser of $150.00 per policy contract or 25 percent of the premiums paid for long term care insurance during the tax year for the individual and spouse. The Colorado credit is only applicable to those with federal taxable income of less than $50,000; or for two individuals filing a joint return with a federal taxable income of less than $50,000 if claiming the credit for one policy; or less than $100,000 if claiming the credit for two policies. The policy must meet Colorado's definition of LTC insurance.

CONNECTICUT*
No tax benefits presently

DELAWARE*
No tax benefits presently

DISTRICT OF COLUMBIA
A deduction for long term care insurance premiums paid annually is allowed from gross income provided that the tax deduction does not exceed $500/year per individual. Joint tax filing is allowed. The long term care policy must meet District of Columbia's definitions.

FLORIDA*
No tax benefits presently

GEORGIA*
No tax benefits presently

HAWAII
Same as federal tax law, except subject to 7.5% of Hawaii adjusted gross income, instead of federal adjusted gross income.

IDAHO
A tax deduction is allowed for the LTC insurance premium paid by a taxpayer for long term care

insurance which is for the benefit of the taxpayer; a dependent of the taxpayer; or an employee of a taxpayer. The amount can be deducted from taxable income to the extent the premium is not otherwise deducted by taxpayer.

ILLINOIS*
No tax benefits presently

INDIANA
Deduction up to full cost of premium paid for qualified LTCi for taxpayer and taxpayer's spouse paid in the taxable year.

IOWA**
A deduction is allowed to the limits provided in the Federal Internal Revenue Code (see above for details)

KANSAS
No tax benefits presently.

KENTUCKY
Tax Deduction from adjusted gross income allowed for any amount paid during the tax year for long term care insurance premiums.

LOUISIANA
A credit against the individual income tax is allowed for amounts paid as premiums for eligible long term care insurance. The amount of the tax credit equals 10 percent of the total amount of long term care insurance premiums paid each year by each individual claiming the tax credit and the policy must meet the specific qualification requirements.

MAINE
The Superintendent of the State of Maine must certify the policy you purchase as a qualifying long term care policy. A tax deduction is allowed as long as the amount subtracted is reduced by the amount claimed as a deduction for federal income tax purposes. Employers providing long term care benefits to employees may also qualify for a tax credit which follows a formula equal to the lesser of $5,000, 20 percent of the costs; or $100 for each employee covered.

MARYLAND
Taxpayer is allowed a one-time credit against the state income tax in an amount equal to 100% of eligible LTC insurance premium paid. The tax credit may not exceed $500 for each insured, may not be claimed by more than one taxpayer with respect to the same individual and may not be claimed if the insured was covered by long term care insurance before July 1 2000. No carryover is allowed. For employers, a credit up to an amount equal to 5% of the costs incurred by the employer during the taxable year for providing LTC insurance as part of the benefit package. The credit may not exceed $5000 or $100 for each employee covered by LTC insurance under the benefit package.

MASSACHUSETTS*
No tax benefits presently

MICHIGAN*
No tax benefits presently

MINNESOTA
A tax credit is allowed for long term care insurance premiums equal to the lesser of: (1) 25% of premiums paid to the extent not deducted in determining federal taxable income; or (2) $100 (which equals $200 for married couples who file joint tax returns.)
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MISSISSIPPI
A credit equal to 25% of premium costs paid during the taxable year for a qualified policy for self, spouse, parent, parent-in-law, or dependent. The tax credit cannot exceed $500.

MISSOURI
Taxpayers may deduct 100% of all non-reimbursed amounts paid for qualified LTCi premiums to the extent such amounts are not included in itemized deductions.

MONTANA
Montana offers a deduction for entire amount of qualified LTCi premiums covering taxpayer, taxpayer's parents, grandparents & dependents. A tax credit is now allowed for for premiums paid for long term care insurance coverage for a qualifying family member. The amount of the credit shall be based on the taxpayer's adjusted gross income and can not exceed $5,000 per qualifying family member in a taxable year. Or, the tax credit can not exceed $10,000 for two or more family members.

NEBRASKA
Nebraska now permits a tax deduction for Long Term Care Savings Plan contributions of up to $2,000 per married filing jointly return or $1,000 for any other return to the extent that it is not deducted for federal income tax purposes.

NEVADA*
No tax benefits presently

NEW HAMPSHIRE*
No tax benefits presently

NEW JERSEY
Deduction of long term care insurance premiums may be taken if they exceed 2% of adjusted gross income and cannot be reimbursed.

NEW MEXICO
New Mexico permits taxpayers who are age 65 and older and who are not a dependent of another taxpayer to claim a tax credit of $2,800 for medical care expenses which includes long term care

insurance premiums paid for the filing taxpayer, spouse or dependents if medical expenses equal $28,000 or more within the particular taxable year (and so long as the expenses are not reimbursed). A deduction allows taxpayers an additional exemption of $3,000 for medical expenses if expenses (including the cost for long term care insurance) equal $28,000 or more within the taxable year and if the medical expenses are not reimbursed or otherwise covered.

NEW YORK
Credit for 20% of premium paid for qualifying long term care insurance premiums. Taxpayer is permitted to carry over to future tax years any credit amount in excess of taxpayer's tax liability for the year. Employers are eligible for a credit equal to 20% of the long term care insurance premiums paid during the tax year for the purchase of, or for continuing coverage under, a long term care insurance policy. The tax credit is not refundable and the credit may not reduce the tax to less than the minimum tax due.

NORTH CAROLINA
A credit is allowed for premiums paid on LTC insurance for taxpayer, taxpayer's spouse or dependent in an amount equal to 15% of the premium costs, up to $350 for each policy on which the credit is claimed as long as adjusted gross income meets the following limitations: Married Filing Separately <$50,000; Single <$60,000; Head of Household <$80,000; Married Filing Jointly or Qualifying Widower <$100,000.

NORTH DAKOTA
A tax credit is allowed for premiums paid on long term care insurance for taxpayer and or spouse up to $250 within any taxable year.

OHIO
Tax Deduction of federally qualified long term care insurance premiums for taxpayer, taxpayer's spouse and dependents to the extent the tax deduction is not allowed in computing federal adjusted gross income.

OKLAHOMA**
No tax benefits presently

OREGON
No tax benefits presently.

PENNSYLVANIA*
No tax benefits presently

PUERTO RICO*
No tax benefits presently

RHODE ISLAND**
No tax benefits presently

SOUTH CAROLINA**
No tax benefits presently

SOUTH DAKOTA*
No tax benefits presently

TENNESSEE*
No tax benefits presently

TEXAS*
No tax benefits presently

UTAH*
No tax benefits presently

VERMONT**
No tax benefits presently

VIRGINIA
No tax benefits presently.

WASHINGTON*
No tax benefits presently

WEST VIRGINIA
Deduction Deduction for LTCi premiums covering taxpayer, taxpayer's spouse, parents and dependents to the extent the amount paid for LTCi is not deducted in determining federal income tax.

WISCONSIN
Deduction allowed for taxpayer & taxpayer's spouse for 100% of the amount paid for a long term care insurance policy to the extent the same tax deduction is not taken for federal income tax purposes.

WYOMING*
No tax benefits presently

* No Credit Or Deduction. No Broad-Based State Income Tax.
** Same As Federal Tax Law (see above for details).