



Reminder: IRS announces eligible LTCI premium deductions for 2012

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The Internal Revenue Service (“IRS”) has announced its annual cost-of-living and inflation adjustments for 2012 in Rev. Proc. 2011-52. Tax laws require the IRS to adjust the dollar amounts of dozens of tax provisions each year to account for inflation, including adjustments for eligible long-term care insurance (“LTCI”) premium deductions.

Tax-qualified LTCI premiums are considered medical expenses. For an individual who itemizes income tax deductions, medical expenses are deductible to the extent that they exceed 7.5% of the individual’s Adjusted Gross Income (AGI). The amount of the LTCI premium treated as a medical expense is limited to the eligible LTCI premiums, as defined by Internal Revenue Code section 213(d), based on the age of the insured individual. That portion of the LTCI premium that exceeds the eligible long-term care insurance premiums is not includable as a medical expense.

The chart below illustrates the allowable deductions for 2012:

Maximum Deduction for Qualified LTC Insurance Premiums Under IRC Section 213(d)(10)

Attained Age Before Close of Year	2012	2011
40 or less	\$350	\$340
More than 40 But No More Than 50	\$660	\$640
More than 50 But No More Than 60	\$1,310	\$1,270
More than 60 But No More Than 70	\$3,500	\$3,390
More Than 70	\$4,370	\$4,240

In addition, the 2012 per diem limitation under IRC section 7702B(d)(4), regarding periodic payments received under a qualified LTCI contract, will be \$310 (up from \$300 in 2010).

This article is intended as informational purposes only and is not intended to constitute legal or tax advice.