

Tax Advantages of Having Your Business Purchase Long Term Care Insurance for You and Your Employees

Long Term Care costs are not covered by Medicare or any private health insurance plans. That is a simple fact that many people find hard to grasp...but it's true. In fact, the Federal Government doesn't even provide LTC benefits to their own employee, but they do encourage their employees to acquire such coverage on the private market.

In order to encourage their employees (and others) to buy LTC insurance protection, the Federal Government provides significant tax incentives to do so.

Premiums are Deductible -- Insurance premiums paid for qualifying LTC policies are deductible as a medical expense for individual purchasers (subject to some limitations based on age). For businesses that purchase LTC policies for their employees, the premiums can be fully deductible as a business expense, subject to certain limitations depending on the form of business organization -- C-corporation, S-corporation, LLC, sole proprietorship, or partnership.

Premiums are NOT Taxable Income to the Employee -- There are very few fringe benefits that a business can provide to an employee where the cost of the benefit is deductible to the business but is not taxable income to the employee. This is one of them.

LTC Insurance Policy Benefits are NOT Taxable -- This is generally true as long as the benefit payments are not greater than actual LTC expenses incurred.

Who can be covered? LTC policies purchased by a business can cover employees, their spouses and dependents. The policies can cover all employees, or just a select few. The business has complete discretion

over this. Some businesses choose to "start small" by having the business purchase coverage only for the owners. They can then decide at a later date whether they want to expand the program to other employees.

I hope you found this idea interesting. If you have any questions or want to discuss it further, please give me a call. You can reach me at 928-642-0867.