

Long-Term Care Tax Deductibility

A QUICK REFERENCE GUIDE FOR LTC DEDUCTIBILITY

Understanding the current annual deductibility rules could mean tax savings for your clients. Deductibility limits are updated every year, so it's important to stay current.

	Sole Proprietorship	C Corporation	S Corporation	Partnership	LLC
Tax treatment of premiums paid for employees	Eligible premium deductible above the line*	Fully deductible to entity, not taxable to employee	Fully deductible to entity, not taxable to employee	Fully deductible to entity, not taxable to employee	Fully deductible to entity, not taxable to employee
Tax treatment of premiums paid for owner/employees	Eligible premium deductible above the line*	Fully deductible to entity, not taxable to employee	>2% owner-eligible premium deductible above the line*; all others fully deductible to entity, not taxable to employee	Eligible premium deductible above the line*	Eligible premium deductible above the line*
Premium paid by	Sole Proprietor	Corporation	Corporation**	Partnership	LLC
Reported as income to employee/owner	N/A	N/A	W-2 wages to >2% owner	Scheduled K-1, guaranteed income	Reporting depends on whether elected Corp or Partnership status
Tax treatment of premiums paid for employee's spouse	Eligible premium deductible above the line*	Fully deductible to entity, not taxable to employee	Fully deductible to entity, not taxable to employee	Fully deductible to entity, not taxable to employee	Fully deductible to entity, not taxable to employee
Tax treatment of premiums paid for owner/employee's spouse	Eligible premium deductible above the line*	Fully deductible to entity, not taxable to employee	>2% owner-eligible premium deductible above the line*; all others fully deductible to entity, not taxable to employee	Eligible premium deductible above the line*	Eligible premium deductible above the line*

2026 ELIGIBLE PREMIUMS***

Age 40 or below	\$500	Age 51 through 60	\$1,860	Age 71 and above	\$6,200
Age 41 through 50	\$930	Age 61 through 70	\$4,960		

PREMIUMS PAID BY INDIVIDUALS WITH AFTER-TAX DOLLARS

Federal: Premium payments for tax-qualified LTC policies are considered unreimbursed medical expenses up to the amount of age-based eligible premium. An individual may include his or her annual eligible LTC insurance premium in the amount of unreimbursed medical expenses for the year. The amount of unreimbursed medical expenses that exceed 7.5% of the individual's AGI is federally tax deductible as an itemized deduction for income tax purposes. These expenses must exceed 7.5% of the individual's AGI for Alternative Minimum Tax (AMT) purposes.

State: Tax incentives regarding LTC Insurance premiums vary by state.

* Above the line - treated as an adjustment to gross income on the Individual Income Tax Return Form 1040, i.e., before itemized deduction, for sole proprietor, partner, LLC shareholder and >2% S Corp shareholder.

** Under IRS Notice 2008-1, the IRS will also allow the same treatment for premiums paid by the shareholder/employee and reimbursed by the S Corporation.

*** Source: IRS Rev. Proc. 2024-45

The per-diem limitation under Section 7702B(d)(4) for periodic payments received under a qualified long-term care insurance contract for 2026 is \$430. Ash Brokerage and its representatives do not give tax advice. Please consult a tax professional.