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IRS Announces Eligible Long-Term Care Insurance Premium Deductions for 2014

The Internal Revenue Service (“IRS”) has announced its annual cost-of-living and inflation adjustments for 2014. 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 a certain percentage 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.

Important reminder: Change in Threshold

Due to a provision in the Affordable Care Act, the floor for claiming itemized deductions on federal income tax returns increased from 7.5% to **10%**, starting with the 2013 tax year. For those attained age 65 and older, however, the threshold will remain at 7.5% for tax years 2013-2016.

Maximum Deduction for Qualified Long-Term Insurance Premiums Under IRC Section 213(d)(10)		
Attained Age Before Close of Year	2013 (old)	2014 (new)
40 or less	\$360	\$370
More than 40 but not more than 50	\$680	\$700
More than 50 but not more than 60	\$1,360	\$1,400
More than 60 but not more than 70	\$3,640	\$3,720
More than 70	\$4,550	\$4,660

Per Diem Limitation

The stated dollar amount of the per diem limitation under IRC section 7702B(d)(4) will increase from \$320 for 2013 to **\$330 for 2014**.

Please note: The tax guide (Form: GFR-TX) will be updated in early 2014.

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

Long-term care insurance is underwritten by John Hancock Life Insurance Company (U.S.A.), Boston, MA 02117 (not licensed in New York) and in New York by John Hancock Life & Health Insurance Company, Boston, MA 02117.

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