

LONG-TERM CARE FOR BUSINESSES

Protecting a Business Owner's and Employee's Future

LONG-TERM
CARE

OPPORTUNITY

In a small business, employees feel like family. Owners have deep concern for their team – especially employees who are key to their success. They want to ensure their people are well taken care of, both out of personal concern, and out of a desire to retain and reward top talent.

Long-term care insurance is an offering that business owners can use to demonstrate their dedication to their employees – among other benefits. Group long-term plans can:

- Make long-term care insurance accessible to business owners, their employees and even their family members
- Give the business unique tax incentives
- Provide the convenience of payroll deduction and a single list bill
- Offer discounted rates for qualifying groups
- Follow simplified underwriting standards that make coverage possible for those who wouldn't otherwise qualify

WHO PAYS

When selecting a group plan, business owners can choose options that are funded by the company, the employees or both.

Company-Funded Policies

- Are paid for by the company as long as participants remain employed with the company
- Are individually owned and portable – employees can continue paying for their coverage should they end employment or retire
- May qualify for a group discount of up to 10 percent

Employee-Funded Policies

- Give employees the opportunity to purchase coverage they may not have sought on their own
- Provide the convenience of payroll deduction
- May qualify for a group discount of up to 5 percent

WHO BENEFITS

Long-term care insurance isn't subject to IRS nondiscrimination laws, meaning businesses may choose who receives the benefit. An owner may choose to offer coverage to everyone, a defined group such as executives, or handpicked individuals who are critical contributors to the company's bottom line.

All Employees

When all employees are eligible, the plan is a completely voluntary benefit with no employer contributions. Employees can purchase coverage through payroll deduction, and the program (and premium discount) may be extended to employees' family members: spouses, parents, siblings, children, etc.

Just Ask

Business owners may not care about protecting themselves as much as they care about protecting their employees.

Talk to them about what it would mean to offer a benefit that protects their employees' future. While there are several distinct options for businesses, don't start by explaining the solutions.

Start as you would with any other client: By establishing need.

Key Employees

The business may choose to reward select, valuable employees with company-paid plan. Employees also have the option to buy additional coverage through payroll deduction

Executives

Owners may choose to “carve out” a defined set of employees, such as executive team members to receive 100 percent company-paid coverage and identical benefits

Tax Incentives for Businesses

Business owners typically appreciate potential tax advantages. Below is a breakdown of potential deductions for company-funded long-term care insurance.

	Sole Proprietorship	C Corporation	S Corporation	Partnership	LLC
Tax treatment of premiums paid for employees	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	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	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	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, no taxable to employee	Eligible premium deductible above the line*	Eligible premium deductible above the line*

	Age 40 or below	Age 41 through 50	Age 51 through 60	Age 61 through 70	Age 71 and above
Eligible Premiums***	\$420	\$790	\$1,580	\$4,220	\$5,270

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 10% of the individual's AGI is federally tax deductible as an itemized deduction for income tax purposes. These expenses must exceed 10% of the individual's AGI for Alternative Minimum Tax (AMT) purposes.
State	Tax incentives regarding LTC Insurance premiums varies by state.

*Above the line - treated as an adjustment to gross income on the Individual Income Tax Return Form 1040 (i.e., before itemized deductions) 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 Revenue Procedure 2016-55 (2018 limits)

The per-diem limitation under Section 7702B(d)(4) for periodic payments received under a qualified long-term care insurance contract for 2019 are \$370.