



IRS announces eligible LTCI premium deductions for 2011

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The Internal Revenue Service (IRS) has announced its annual cost-of-living and inflation adjustments for 2011 in Rev. Proc. 2010-40. 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 premiums is not includable as a medical expense.

The chart below illustrates the allowable deductions for 2011:

Age of insured before the close of 2011	Eligible LTCI Premium Deduction
Ages 40 or Less	\$340
Ages 41 to 50	\$640
Ages 51 to 60	\$1,270
Ages 61 to 70	\$3,390
Ages Over 70	\$4,240

In addition, the 2011 per diem limitation under IRC section 7702B(d)(4), regarding periodic payments received under a qualified LTCI contract, will be \$300.