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**Long-Term Care 2010 COLA Adjustment Release**

**Increase in 2010 LTC Insurance Income Tax Deduction: IRS Raises Limits for Tax-Qualified Policies**

Good news for your Long-Term Care clients! The amount of premium that long-term care insurance (LTCI) policyholders can count as a deductible medical expense is going up in 2010. The Internal Revenue Service (IRS) released information regarding cost of living adjustments and premium deductions that long-term care policyholders can take for tax year 2010. [(Rev. Proc. 2009-50)]

Here's what's required for your client to be eligible to get a 2010 income tax deduction for LTCI policy premiums. The client must:

- Have a Tax Qualified LTCI (TQ LTCI) policy,
- Have eligible LTCI premiums (and other medical expenses) that add up to more than 7.5% of his/her Adjusted Gross Income (AGI), *and*
- Itemize expenses on a 1040 Schedule A federal income tax form.

Note: the amount that can be deducted on your client's federal income tax return is limited to the portion of his/her deductible medical expenses that exceeds the 7.5% AGI threshold.

***How much of the long-term care insurance premium is eligible and can be included as deductible medical expenses?***

The amount is adjusted annually. Guidelines outlined below will help you to determine how much of your client's long-term care insurance premiums would be eligible as deductible medical expenses on his/her 2010 Federal Income Tax Return.

If attained age before end of tax year is	The maximum long-term care insurance premium that can be deducted is
40 or less	\$ 330
More than 40 but not more than 50	\$ 620
More than 50 but not more than 60	\$1,230
More than 60 but not more than 70	\$3,290
More than 70	\$4,110

***What if LTCI benefits are paid on a per diem or other periodic basis?***

The per diem amount allowed in 2010 is \$290.00. This means that a client with a TQ LTCI policy who receives a per diem benefit of \$290.00 is generally allowed to exclude \$290.00 a day from his or her gross income.

Long term care benefits paid on a per diem or other periodic basis under a TQ LTCI policy are excluded from income subject to a maximum of:

- A) the greater of the:
  - a. \$290 per diem, or
  - b. Actual TQ LTC expenses per day;
- B) minus any reimbursement received for these expenses.

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