RULES FOR PARTNERSHIPS S-CORPORATIONS LIMITED LIABILITY COMPANIES

Like any other employer, a Partnership or S-Corporation may deduct premiums paid for tax-qualified long-term care insurance paid for employees, their spouses and eligible dependents.

Partners and more-than-2% shareholders of S-Corps are considered to be self-employed 'owners'.

The amount of long-term care insurance premium paid for 'owners' is included in each individual's gross income for the year. The individual can then take a self-employed health insurance deduction for this amount, not to exceed the aged-based limits.

A **Limited Liability Company** (LLC) can take one of three forms: that of a sole proprietor; a partnership or a C-Corporation. Most choose to be treated as a partnership.

FOR EMPLOYERS / EMPLOYEES NO TAXATION OF BENEFITS

Employees (non-owners) are not taxed on premiums for tax-qualified policies paid for by employers.

Employers do not pay payroll taxes on amounts paid for long-term care insurance premiums.

Benefits paid under a tax-qualified reimbursement policy are received income tax free by the individual. Benefits paid under an indemnity policy are not taxed unless they exceed the higher of the cost of qualified long-term care services or $280-per day (the 2009 limit).

RULES FOR C-CORPORATIONS

C-Corporations benefit from complete (100%) deductibility of tax-qualified long-term care insurance protection as a business expense similar to traditional health and accident insurance premiums.

100% tax-deductible insurance protection can be purchased for employees and owners. Company-paid policies can cover spouses, even though they are not employed by the corporation ... and even retirees.

Employer-paid long-term care insurance premiums are not reported or included as part of the employee's gross income. They are not included on W-2 statements. There's no payroll tax on amounts paid.

Corporations may create an "Executive Carve Out" plan whereby the corporation selects and pays the cost of insurance protection for designated key individuals.

Companies may establish a plan for key executives along with other options whereby the employer pays a part of the cost or offers long-term care insurance to employees on a purely voluntary basis.

BUSINESS OWNERS CAN SELECT WHO IS COVERED

Business owners can offer long-term care insurance coverage to whomever they choose without risking the loss of deductibility for themselves.

It is possible to create a bona fide class of select corporate employees that are eligible for this corporate-paid benefit (IRC §105/106 Medical Reimbursement Plan). Premium payments generally will be tax deductible when the class is based on such factors as officers of the corporation and length of service. Tax rulings have stipulated that the class cannot, however, be based on stock ownership.

Consult a tax advisor for details.

retirement plan and savings. It can help provide choice and control.