

Income tax deductions for tax-qualified long-term care insurance (LTCI)

Type of taxpayer and premium deductions

Individual taxpayer who does not itemize
No deduction¹

Individual taxpayer who itemizes deductions
Treated as medical insurance premiums.² Limited to the lesser of the actual premium paid or the amount per person from an age-related table that caps maximum deductible premiums. Table is adjusted annually for inflation. See below:

Maximum deductible premiums

Age	2026 max deduction	2025 max deduction
40 or younger	\$500	\$480
41–50	\$930	\$900
51–60	\$1,860	\$1,800
61–70	\$4,960	\$4,810
71 and older	\$6,200	\$6,020

Premium deduction is effective to the extent that the deductible premium above added to taxpayer paid medical premiums and deductible out-of-pocket medical expenses exceed 7.5% of the taxpayers AGI.³

IRA owners

IRAs may not own LTCI, and IRA distributions may not be rolled tax-free to LTCI. Distributions, after tax, may pay LTCI premiums.

Flexible Spending Accounts (FSAs)

FSAs may not reimburse LTCI premium.⁴ LTCI may not be paid through an employer-provided cafeteria plan.⁵

Health Savings Accounts (HSAs)

LTCI premiums can be reimbursed through an HSA, tax-free, up to the age-related cap. HSA may be inside an employer-provided cafeteria plan.⁶

Employees (non-owners)

Premiums paid by employees

- Deductible by the employee who itemizes as an individual taxpayer
- May not be paid through section 125 or 401(k) accounts⁷

Premiums paid by employer

- Deductible by employer⁸
- Not taxable to employee⁹
- Not limited to the age-related cap on deduction
- Not subject to 7.5% of AGI threshold

C Corporation owner — employee

Treated as employee¹⁰

1. IRC Sec. 63(b) 2. IRC Sec. 7702B(a)(1) 3. IRC Sec. 213(f) 4. IRC Sec. 106(c) 5. IRC Sec. 125(f)(2) 6. IRC Sec. 106(d) 7. IRC Sec. 125(f)(2) 8. IRC Sec. 162(a) 9. IRC Sec. 106(a) 10. IRC Sec. 106(a)

Other business owners: Sole proprietors, S Corp greater than 2% owners, partners, LLC owners

May be treated as a business expense for medical insurance premiums.¹¹ Limited to the lesser of the actual premium or the amount per person from an age-related table that caps maximum deductible premiums.¹² Table is adjusted annually for inflation. See below:

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Early Distributions from Retirement Plans to Pay LTC Premiums

For distributions after December 29, 2025, Section 334 of the SECURE Act 2.0 permits retirement plans to distribute up to \$2,500 per year (indexed for inflation beginning in 2025) for the payment of premiums for qualified long-term care insurance contracts that provide high quality coverage. (The amount is \$2,600 for 2026.)¹³ The amount that may be distributed is limited to the lower of: (1) the amount paid by, or assessed to the employee during the year for long-term care insurance; (2) 10% of the employee's vested accrued benefit in the plan; or (3) \$2,500 (indexed for inflation). Distributions from plans to pay such premiums are exempt from the additional 10 percent tax on early distributions. Note, the IRS has not yet clarified whether distributions from an individual IRA may be included under this provision.

Interested persons must communicate with their plan administrator and tax advisor before taking any action. For a more detailed discussion, please see the 2026 OneAmerica Financial Asset-based long-term care benefits Tax guide for individuals and businesses (I-29427)

Taxation of benefits

Reimbursement benefits for qualified long-term care services are not taxed. Per Diem or Indemnity benefits are not taxed except those benefits that exceed the greater of:¹⁴

- Total qualified long-term care services charged, or
- \$430 per day (2026)

Return of Premium (ROP) benefit:¹⁵

- Available only upon total surrender or death
- May not be borrowed or pledged
- Not taxable at death
- Taxable upon policy surrender to the extent premiums were deducted

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11. IRC Sec. 162(l) 12. IRC Sec 213(d)(10)(A) 13. The limitation under section 401(a)(39)(B)(i)(III) on a qualified long-term care distribution from a qualified defined contribution plan with respect to certified long-term care insurance remains \$2,600. IRS Notice 2025-67 14. IRC Secs. 7702B(a)(2), 7702B(d) and 104(a)(3) 15. IRC Sec. 7702B(b)(2)(C)