

Just as in business, you have to acknowledge the risk and plan accordingly. Limit your exposure to the risk of needing long term care: consider the solution of long term care insurance.

Because:

LTCi is good sense because:

- The premiums paid for tax-qualified LTCi may be tax deductible as a business expense.
- The cost of coverage is easy for businesses to forecast and manage because premiums are based on age and health at time of enrollment.
- Employers can select the class of participants they wish to cover, since LTCi is not subject to non-discrimination rules.
- LTCi premiums paid by employers are not considered taxable income to employees.
- LTCi benefits received by policyholders when they need care are tax-free.
- Policyholders have peace of mind, knowing that their LTCi affords financial protection, helping to preserve assets should they need long term care.

Look inside for more information about how long term care insurance can be obtained for you and your employees using pre-tax business dollars.

Self-employed Individuals

For individuals who are self-employed (sole proprietors), premiums paid for qualified long term care plans may be 100% deductible as a business expense subject to the same limits as those for individual taxpayers.

Taxpayer's Age at end of tax year	2009 Limits Per Individual	2009 Limits For a Couple*
40 or less	\$320	\$640
41 but not yet 51	\$600	\$1,200
51 but not yet 61	\$1,190	\$2,380
61 but not yet 71	\$3,180	\$6,360
71 or older	\$3,980	\$7,960

Source: IRS Revenue Procedure, 2008-66 *For same age couple.



Highlights of a Tax-Qualified Program for Business

Tax benefits, financial protection, peace of mind: Learn more about the value of tax-qualified *long term care insurance*.



MedAmerica Insurance Company
Home Office: Pittsburgh, PA

MedAmerica Insurance Company of New York
Home Office: Rochester, NY

MedAmerica Insurance Company of Florida
Home Office: Winter Park, FL

¹ MedAmerica National Home Health Cost of Care Survey 2007, MedAmerica Insurance Company, February 12, 2007.
² Gross, Jane, "Study Finds Higher Costs for Caregivers of the Elderly," *The New York Times*, November 19, 2007.

While the statements on tax matters discussed in this brochure are believed to be accurate, the statements should in no way be construed to be or relied upon as legal or tax advice. Please consult with your own legal counsel or tax advisor on your specific situation.



An Excellus Company

Long term care insurance:

- preserve assets
- enjoy tax advantages
- an innovative benefit
- obtain valuable coverage
- secure the future

With stories about the Social Security and Medicaid crises filling evening

newscasts, many Americans are worried about how they can get the long term care they need, while preserving hard-earned savings. Employees who have long term care insurance won't need to be worried: they'll have a solution that helps them obtain the long term care they need while protecting post-retirement assets. And with the generous federal tax benefits and credits that are available, it's never been more affordable for businesses to help employees obtain this valuable coverage.

Purchasing tax-qualified long term care insurance (LTCi) is good sense AND good business.

Why?

C-Corporations

Employer-paid Premiums

In general, a C-Corporation can deduct as a business expense qualified long term care insurance premiums paid for employees, their spouses and dependents, and retirees. This deduction exists as long as there is no return of premium to the corporation or any residual rights to such premium.

Furthermore, the employer's contributions toward an employee's long term care insurance premiums are not included as income to the employee. This exclusion of income also applies to an employee's spouse and tax dependents, and retired employees. When a long term care policy is purchased for a shareholder not employed by the corporation, no deduction is available; and the premiums are considered as dividend interest to the shareholder.

Offerings to Members of a Board of Directors

If the Director is an employee and receives the benefit as an employee of the corporation, the premium paid by the employer is not included as income, and the corporation may deduct the

Risk:

Typical health insurance and Medicare do not cover most long term care costs, and Medicaid doesn't pay for long term care until an individual meets the federal poverty level, or spends down assets.

Solution:

Purchase long term care insurance for your employees and help them obtain long term care coverage while protecting hard-earned assets.

contribution as a business expense. If the director is a non-employee, any long term care premium paid on his or her behalf will be considered taxable compensation. However, the premium may still qualify as an allowable business expense for the corporation.

S-Corporations and Partnerships

In general, the deductibility of premium payments by an S-Corporation or a Partnership is described below:

If an employee or shareholder owns more than 2% of stock or is a partner:

- Tax-qualified long term care insurance premiums paid by an S-Corporation on behalf of the 2%+ employee/shareholder are deductible by the S-Corporation, if the S-Corporation retains no interest in the policy.

Risk:

The national average hourly rate for home health aides is \$19. People who need the non-medical home care services they provide generally use between 22 and 44 hours per week, translating into an annual expense of between \$22,000 and \$44,000.¹

Solution:

Level LTCi premiums ensure a predictable, affordable expense, year after year and can help protect against the high cost of long term care.

Risk:

The out-of-pocket cost of caring for an aging parent or spouse averages \$5,500 a year, a sum that is more than the average American household spends annually on health care and entertainment combined.²

Solution:

Take the opportunity to address the significant risk of long term care, while rewarding owners, officers and other key employees: offer long term care insurance. Generous tax benefits make LTCi an affordable component of a competitive and innovative compensation package that can help increase employee retention.

- Long term care insurance premiums paid by the S-Corporation are required to be included in the employee's/shareholder's gross income. The 2%+ shareholder would be subject to the tax-deductibility rules for self-employed individuals. (Refer to "Self-employed Individuals" Section for details.)

If an employee or shareholder owns less than 2% of stock, and is not a partner:

- An S-Corporation may deduct premium paid for a tax-qualified long term care insurance policy for that individual as a reasonable and a necessary business expense, if the S-Corporation retains no interest in the policy.
- Employer-paid premiums are excluded as income to the employee.