



Date: January 2, 2006

TO: LTC America Clients

RE: LTCI Personal Federal Tax Deductions
For Long Term Care Premiums In 2006

- I. Individual policyholders who itemize deductions and have tax-qualified long term care policies are able to claim their long term care insurance premiums as a medical expense deduction on their federal income tax returns. The amount of the deduction is based on the taxpayer's age at the end of the tax year and is subject to the 7.5% of AGI limitation.**

The allowable medical expense deduction for 2006, announced by the Internal Revenue Service, follows:

<u>Age at End of 2006</u>	<u>Maximum Premium Deduction</u>
40 or less	\$ 280.00
More than 40, not more than 50	\$ 530.00
More than 50, not more than 60	\$ 1,060.00
More than 60, not more than 70	\$ 2,830.00
More than 70	\$ 3,530.00

- II. Indemnity Policies – the first \$250 a day is tax free; any amount over \$250 will be taxed as ordinary income unless spent on a “qualified Long Term Care expense.”**

- III. New York State Tax Credit**

A credit of up to 20% of the premium paid during the taxable year for Long Term Care Insurance approved by the Superintendent of Insurance will be allowed.