



Long term care insurance is one of the newest employee benefits being made available to employees by businesses to attract and retain top performers, and is a valuable addition to any benefits portfolio. Benefits can be offered selectively. The employer can, for example, decide that only employees above a certain level, who have been employed by the employer for a specified number of years, will be eligible to participate. Employers may also select or carve out groups of employees to receive different premium contributions, or coverage may be offered to all employees on a voluntary basis. By extending coverage to family members, employers make it easier for workers to manage care giving responsibilities and remain productive on the job.

Long term care insurance helps protect the value of retirement savings, which could be used up very quickly paying for long term care. Offering long term care insurance can help employees feel more secure about their future and feel better that they have planned for that future.

The Health Insurance Portability and Accountability Act of 1996 (HIPAA), which became effective January 1, 1997, allows for favorable federal income tax treatment for long term care insurance policies that are tax qualified. This legislation enables employers to provide long term care insurance to key executives, spouses, parents, or themselves on a favorable tax basis.



HOW TO UTILIZE CORPORATE DOLLARS TO MAXIMIZE LONG TERM CARE INSURANCE BENEFITS

**VALUABLE INFORMATION FOR
C CORPORATIONS**

Long term care insurance
underwritten by
Genworth Life
Insurance Company

YOUR EMPLOYEES MAKE A DIFFERENCE TO YOUR BUSINESS



At home and in the workforce, long term care is emerging as one of the critical issues of our times.

A valuable addition to your employee benefits package is long term care insurance. It offers you an excellent opportunity to reward and retain your key executives, and help secure uninterrupted productivity.

Tax-qualified long term care insurance occupies a special place in the tax code. There are not many insurance products with as many tax advantages as tax-qualified long term care insurance.

Seldom does an executive benefit plan come along which offers so many advantages. This is a plan that can be customized to fit an employer's specific criteria, and it might offer a tax deduction for the employer without creating additional taxable income for the employee.

Tax Benefits for C Corporations

Tax Treatment of Employer

Generally, a C Corporation may deduct 100% of premiums it pays for accident and health insurance coverage - including premiums paid for tax qualified long term care insurance - for its employees, their spouses and eligible dependents (IRC Sec. 162) – even premiums in excess of the age-based limits (IRC Sec. 162 (I)).

Stockholders of any percentage in a C Corporation are treated as any other employee if they are actively working in the business. The employer may not deduct long term insurance premiums paid for stockholders who are not employees, or for employees who are not actively participating in the corporation's business, unless that stockholder or inactive employee is also a spouse or eligible dependent of an active employee.

Employers may discriminate and have the discretion to fund different benefit levels for different groups or classes of employees, including stockholder employees. Long Term Care Insurance may be offered as an employer pay all benefit (Executive Carve Out), Split-Dollar (premium sharing) and/or Employee Pay All. A corporate resolution may need to be adopted by the Board of Directors.

Tax Treatment of Policyowner

Long Term Care Insurance premiums paid by the employer generally are not considered income to employees/policy owners (IRC Sec. 106a).

Benefit payments received by an employee or spouse are not included as taxable income (IRC Sec. 105b) (7702B(a)(1)).

What is Long Term Care Insurance – Why Do You Need It?

Dealing with long term care needs can be an emotionally and financially significant life event. Almost a quarter of U.S. households – 22 million – are already involved in caring for a relative or friend who is 50 or older, according to the non-profit National Alliance for Caregiving (“A federal case for LTC.” Employee Benefit News. 01/01/03). These individuals, if currently working, may have little time available for specialized care giving, and the additional responsibility.

According to Georgia Eldercare Advisors, CPAs Specializing in Eldercare, 09/26/03, “Increasingly, employers are offering optional long term care insurance coverage to their employees through their benefit programs – paid or a voluntary benefit. LTCI helps address a real need for employees, planning for a potential need. More importantly, it helps them protect the savings they have accumulated.”

Hidden impacts of care giving responsibilities can include interruptions at work due to emergencies and phone calls, absenteeism, adjusted schedules due to the increased need for time off, decreased willingness to relocate and travel, and increased stress, which may lead to employee health-related problems and fatigue.