STATE INCOME TAX INCENTIVES FOR LTCI

We can**NOT** guarantee that the following table is 100% accurate, but we have not found any more accurate source. If you find something inaccurate in it, please let us know.

The marginal income tax rates were effective as of 2017 to the best of our knowledge. The income shown are for joint returns for a married couple.

We're assuming $100,000 of taxable income unless a bracket starts a bit higher as indicated below.

Neither we, nor the insurers we represent, are advisors relative to either tax or legal issues. We share my understanding of tax laws solely to help you or your client determine whether tax issues might be significant to a decision regarding LTCi. If tax issues are significant, then your client should rely on the tax advice of a tax professional.

Summary: NY stands out with its 20% tax credit. The following jurisdictions allow at least a $100 annual tax break on a $3500 premium (the average premium per buying unit in 2016): AL, IA, ID, IN (only for Partnership policies), KY, ME, MN, MO, MS, MT, ND, NE (only if you open a LTC savings account), NY, OH, OR, VA, WV and WI.

State	Credit or Deduction	Marginal Tax Rate	Typical Savings on $3500 Premium	Details
Alabama	Itemized Deduction, not M&D	5% above $6000	$175	An itemized deduction (regardless of Medical & Dental expenses) is allowed for premiums paid for LTCi meeting the requirements of Alabama Code Section 27-47-2. [Code of Ala. 40-18-15(27)(1996); Reg. 810-3-15.26] Coverage must be equal to or greater than 3 years of Medicaid coverage. Applies to the premium for riders on life insurance as well.
Alaska		None	$0	No broad-based income tax per AARP (http://www.aarp.org/bulletin/longterm/a2003-06-23-taxincentives-.html)
Arizona	Fed pass-through	2.59%-4.54%; 4.24% @ $101,779	$0	Federal deduction passes through (perhaps without the 10% threshold?). AZ deducts Federal deduction to avoid double-counting). If don't take Fed deduction, do you can get state deduction?
Arkansas	Fed pass-through	6.9% above $35,100	$0	Federal passes through. Ark. Code Sec. 26-51-423; Reg. 1.26-51-423(a)(2).
California	Fed pass-through	1%-13.3%, 9.3% @ $105,224	$0	Federal passes through for tax years starting on or after January 1, 1997. [Cal. Rev. & Tax Code § 17213 (1996)] If their adjusted gross income does not exceed $100,000, caregivers can take a $500 nonrefundable LTC credit on their tax return for each person for whom they are an eligible caregiver during the tax year. An eligible caregiver is a taxpayer who provides long-term care support for him or herself, a spouse or dependent who has been certified in writing by a physician as someone who has long-term care needs that will last at least 180 days. Per MetLife: same as Federal law per § 17201
Colorado	Credit	4.63%	$0	A credit is allowed for 25% of LTCi premiums, up to 25% of $600, or $150 maximum, for each life insured up to two lives. The credit is available with taxable income less than $50,000 if only one person is covered or less than $100,000 if two individuals are insured.

State	Credit or Deduction	Marginal Tax Rate	Typical Savings on $3500 Premium	Details
				Unused credit can be carried forward. Policies on parents are not eligible. [C.R.S. 39-22-122 (1999)]. 32,900 tax returns claimed the deduction in 2002.
Connecticut		3%-6.99%; 5.5% at $100K	$0	No incentive
Delaware	Fed pass-through	0-6.6% >$60K	$0	Federal passes through
District of Columbia	Above-the-Line Deduction	4%-8.95% >$1KK; 8.5% at $100K	$42.50 per person	Can deduct premium, up to $500/year per individual, above the line. § 31-3601(5).
Florida		None	$0	No broad-based income tax per AARP (http://www.aarp.org/bulletin/longterm/a2003-06-23-taxincentives-.html)
Georgia	Fed pass-through	6% above $10,000	$0	Federal passes through
Hawaii	Fed pass-through*	1.4%-8.25%>$100K	$0	*Federal passes through beginning in taxable years after December 31, 1998. [HRS Sec. 235-2.3 and 2.4, (1999)] However, the 10% threshold is calculated using Hawaii's definition of adjusted gross income.
Idaho	Above-the-line Deduction	7.4% above $21,810	$259	An above-the-line deduction is allowed for tax years starting on or after January 1, 2004 for 100% of LTCi premiums as defined in section 41-4603 Idaho Code. [Chapter 30, Title 63, Sec. 63-3022P and 3022Q (2001); Reg. 41-4603, amended in 2004], as long as the premiums are not deducted elsewhere on the ID return. The LTCi can cover the tax-payer, a tax dependent or an employee. NTQ policies qualify.
Illinois		4.95%	$0	Apparently, not even a Federal deduction. The following expired after the 2004 tax year: Self-employed individuals, a partner of a partnership or a shareholder in Subchapter S corporation may deduct LTCi to the extent not deducted on the federal tax return (and in an amount not exceeding taxable income, self-employment income, or Subchapter S corp income, as applicable). 35 ILCS 5/203.
Indiana	Above-the-line Deduction	3.23%	$113.05 (Partnership only)	100% of premiums for tax-payer, spouse, or both only for TQ Indiana Partnership policies. For self-employed, limited to the excess over what is passed through from Federal return. Ind. Code Secs. 6-3-1-3.5 and IC 12-15-39.6-5
Iowa	Above-the-line Deduction	0.36% - 8.98% above $70,785	$314.30	100% deductible beginning in 2015. See https://tax.iowa.gov/expanded-instructions/health-insurance-deduction-1
Kansas	Fed pass-through*	5.2% above $60,000	$0	*As a result of KS's reduction of tax rates, a lot of tax breaks were removed, including the LTCi one. The only remaining LTCi tax break is the tax break for employers which pay FIT directly to the Federal government. That tax break flows through to the KS return.
Kentucky	Above-the-Line Deduction -	2% to 6% (above $75K)	$210	A deduction, for LTCi premiums paid during the tax year, is allowed from adjusted gross income for tax years beginning after December 31, 1997. [KRS 141.010(10)(m); (Sec.1)(1998)]* Reg. 304.14-600 & 610

State	Credit or Deduction	Marginal Tax Rate	Typical Savings on $3500 Premium	Details
Louisiana	Credit (passed, but not funded)	2%-6% above $100,000	$0	Credit passed, contingent on funding which has NOT occurred. If funded in the future, H.B. 55 (2002) would let individuals subtract up to 10% of the cost of their annual LTCi premiums from their total state income taxes for TQ policies.
Maine	Above-the-Line Deduction Credit	5.8% - 7.15% above $74,999	$250.25	2004 change: Maine Legislative Directive 1813 provides a state tax deduction for qualified LTCi premiums beginning for the tax year 2004 as long as the amount deducted is reduced by any amount deducted on federal taxes and by any LTCi claimed as an itemized deduction pursuant to section 5125. Earlier: A deduction was allowed for the total premium spent for LTCi policies certified by the Superintendent of Insurance as complying with Title 24-A, Chapter 68. [Title 36, Part 8, Chapter 805, Sec. 5122 (1989)] Beginning in the year 2000, this was limited to the extent that the premium was not itemized as a deduction on the Federal income tax. CT Comment: I suspect that the Federal tax deduction passes right through to the Maine tax return. Maine's Web site provides a list of all certified policies and the Maine Bureau of Elder and Adult Services posts consumer information on LTCi tax deductions. For employers, a credit is allowed against the tax imposed for each tax year equal to the lowest of the following: (A) $5,000; (B) 20% of the costs incurred by the taxpayer in providing LTCi as part of the benefit package; or, (C) $100 for each employee covered by an employer-provided LTCi policy. [Title 36, Part 4, Section 2525, Chapter 357 (1996)]; Sec. 5217-C
Maryland	Credit Credit	2% - 5.75%	 $500 per person; one-time only	A credit is allowed against the state income tax for employers providing LTCi up to an amount equal to 5% of the first $2000 incurred by the employer during the taxable year for providing LTCi as part of an employee's benefit package. The total credit may not exceed $5,000 and it is applicable to all taxable years beginning after 12/31/98. --*Md. Tax-Gen. Code Ann. Sec. 10-710* An individual may claim a one-time credit equal to 100% of "eligible long-term care premiums" paid during the taxable year for long-term care insurance covering the individual or the individual's spouse, parent, stepparent, child or stepchild. Credit may not exceed $500 for each insured, and may not be claimed with respect to an insured if the insured individual was covered by long-term care insurance at any time before 7/1/00, or the credit has been claimed with respect to that insured individual by any taxpayer for any prior taxable year. --*Md. Tax-Gen. Code Ann. Sec. 10-718*
Massachusetts	Fed pass-through	5.1%	$0	Federal passes through.
Michigan	Fed pass-through	4.25%	$0	Federal passes through
Minnesota	Credit and	5.35% -	$100 per	Starting in tax year 1999, taxpayers who purchase LTCi for themselves or their spouse may take a credit of 25% of the premiums paid up to a maximum of 25% of $400 (=$100), or up

State	Credit or Deduction	Marginal Tax Rate	Typical Savings on $3500 Premium	Details
	Deduction	9.85%; 7.05% at $100,000	person plus tax deduction on excess = $390.35 for a couple; $318.55 for single person	to 25% of $800 ($200) if filing jointly, on their Minnesota return using Schedule M1LTI. Taxpayers must not have deducted the premiums as part of their deductible medical expenses on federal Schedule A or as an adjustment to income (on Schedule M1H) for the self-employed health insurance deduction). To qualify as a credit the policy must: • Qualify as a federal deduction disregarding the 10% income test. • Have a lifetime long-term care benefit limit of $100,000 or more. **Inflation protection** For 1999, the policy must also have included inflation protection that meets or exceeds the federal requirement as promulgated by the National Association of Insurance Commissioners. For year 2000 and beyond, the inflation protection must be offered but can be declined by the taxpayer to make it consistent with the IRS qualifications. Since 2000, the credit is per beneficiary rather than per policy. One policy covering both spouses will be eligible for the $200 maximum credit. In tax year 2002, only 2% of the state tax returns claimed this deduction. Excess is a tax deduction. See http://www.house.leg.state.mn.us/hrd/issinfo/ssltcare.htm Does not seem that business-paid premium counts but it should get a corporate tax break.
Mississippi	Credit	5% above $10,000	$500 per person	Tax credit = 25% of TQ premium (not to exceed 25% of $2000= $500 for any one policy) paid for self, spouse, parent, parent-in-law or tax dependent, as long as no other MS tax break has applied to such premium.. SB 2337, effective 1Jan07.
Missouri	Above-the-Line Deduction	6% above $9072	$210	A deduction is allowed for a resident for an amount increased to 100% of all non-reimbursed amounts paid by an individual for qualified long-term care insurance premiums to the extent such amounts are not included in the individual's itemized deductions for all taxable years beginning after December 31, 2006. [(SECTION 135.096)] [Section 8 of R.S. MO 334660 (1999) initially established a 50% deduction].
Montana	Above-the-Line Deduction Credit	6.9% above $17,600	$241.50	A deduction is allowed for all premium payments made directly by the taxpayer for LTCi policies or certificates that provide coverage primarily for any qualified long-term care services as defined in 26 U.S.C. 7702B(c) beginning after 12/31/94 or for the taxpayer's parents, grandparents or both or dependents beginning after 12/31/96. [Chapter 111, (1997)] An AGI-capped credit is available for expense of caring for certain elderly family members (which includes premiums paid for long-term care insurance coverage). The amount of credit is determined based on the taxpayer's adjusted gross income and cannot exceed $5,000 per qualifying family member in a taxable year ($10,000 for two or more family members). It is possible to take a credit for one policy and a deduction for another. (Sources: MetLife; NGA document; NEA)
Nebraska	Fed pass-thru. Also	2.46% - 6.84%	$239.40 if LTC	*Federal passes through. NE residents can set up a LTC savings account. Annual deposits of up to $1,000 (2,000 if filing jointly) are deducted from adjusted gross income.

State	Credit or Deduction	Marginal Tax Rate	Typical Savings on $3500 Premium	Details
	indirect deduction*	above $59,660	savings acct is est'd	That savings account can be used to pay for LTC or, for people over age 50, can be used to pay for LTCi premiums for themselves or anyone else in whom they have an insurable interest. See http://www.revenue.ne.gov/info/longterm_svg.html.
Nevada		None	$0	No broad-based income tax per AARP (http://www.aarp.org/bulletin/longterm/a2003-06-23-taxincentives-.html)
New Hampshire		5%*	$0	*State income tax only on interest and dividends. (www.taxadmin.org/FTA/rate/ind_inc.html)
New Jersey	M&D Deduction*	1.4% - 8.97% 5.525% at $100K	$0	*Allows a deduction for medical expenses (including long-term care insurance premiums), to the extent such expenses exceed 2% of taxpayer's gross income.
New Mexico	Credit or Above-the-Line Deduction	4.9% over $24,000	$17.15	AALTCi & JH; Credit / Deduction. New Mexico permits taxpayers who are age 65 and older and not a dependent of another taxpayer to claim a credit of $2,800 for medical care expenses which includes LTCi premiums paid for the filing taxpayer, spouse or dependents if expenses equal $28,000 or more within the particular taxable year (and so long as the expenses are not reimbursed). A deduction allows taxpayers an additional exemption of $3,000 for medical expenses if expenses (including the cost for LTCi) equal $28,000 or more within the tax year and if expenses are not reimbursed or otherwise covered. Per MedAmerica: The following deduction amounts are allowed Married, filing jointly: Adj. gross income <$30,000,a 25% deduction $30,000-$70,000,a 15% deduction >$70,000, a 10% deduction. Single or married, filing separately: Adj. gross income <$15,000,a 25% deduction $15,000-$35,000,a 15% deduction >$35,000, a 10% deduction. Deduction amounts allowed (head of household): Adj. gross income <$20,000,a 25% deduction $20,000-$50,000,a 15% deduction >$50,000, a 10% deduction. Such premiums would qualify (as if they were LTC services) for the NM state medical care expense deduction provided that they are not reimbursed, they are not paid with pre-tax dollars, and they are not included as an itemized deduction. Reference: instructions for line 10 in the Personal Income Tax Packet at www.state.nm.us/tax click on forms. Also refer to statute 7-7-35 NMSA 1978. Additional source: *Gale Kessler,* New Mexico Taxation and Revenue Department, Ph : 505.827.1746 ; Fax 505.827.2505 ; e-mail GaleK@state.nm.us
New York	Credit	4% - 8.82%;	$700	A credit is allowed equal to 20% of the premium paid during the taxable year for TQ LTCi for taxable years beginning on or after January 1, 2002. [Chapter 63 (2000)]. Applies to all types of businesses as well, including pass-through entities. Use form IT-249 to take the

State	Credit or Deduction	Marginal Tax Rate	Typical Savings on $3500 Premium	Details
		6.45% at $100K		credit. 55,470 tax returns claimed the credit in 2002. The documentation indicates that only NY-state-DOI-approved policies and out-of-state group policies are acceptable (no move-ins). www.tax.state.ny.us/pdf/2007/inc/it249i_2007.pdf
North Carolina	Credit (or Federal Pass-Through?)	5.499%	$0	15% tax credit, not to exceed $350 for each policy, for qualified LTCi premium paid for self, spouse or dependent. Applies ONLY if married both filing have AGI < $100,000 (married filing separately <$50,000), head of household <$80,000 or single <$60,000. Deductions cannot be taken in combination with this credit if it would produce double tax benefits (a Federal pass-through deduction appears possible). Retroactive to January 1, 2007. An earlier version expired after 2004, so for two years there was no credit.
North Dakota	Credit	1.1% - 2.9%; 2.04% at $100K	$100 per person	A credit is allowed against an individual's tax liability up to 25% of $400 (=$100) for any premiums paid by the taxpayer for long-term care insurance coverage for the taxpayer or the taxpayer's spouse, parent, step-parent or child. The credit may not exceed $100 in any taxable year for each insured individual. [Title 57, Chapter 57-38 (1997)]; N.D. Cent. Code Sec. 57-37-29.2; Reg. 26.1-45-01; Rule 81-03-02.1-11 741 claimed the credit in 2002 (does not reflect all tax returns).
Ohio	Above-the-Line Deduction	0.495%-4.997%; 4.597% at $105,300	$160.90	Deduct, to the extent not otherwise allowable as a deduction or exclusion in computing federal or Ohio adjusted gross income for the taxable year, 100% the amount the taxpayer paid during the taxable year for qualified long-term care insurance for the taxpayer, the taxpayer's spouse, and dependents. [OH REV. STAT. Section 5747.01 (A) (11)(1999)]
Oklahoma	Fed pass-through	5% above $12,200	$0	Federal passes through
Oregon	Credit	5% - 9.9% above $250,000; 9% at $100K	$500 indiv ($525 couple)	A credit is allowed for amounts paid or incurred for long-term care insurance by an individual on behalf of individual, dependents or parents and for amounts paid or incurred by employer on behalf of employees. 15% up to 15% of $3333.33 (max = $500). Effective October 23, 1999. [Chapter 1005, (1999)] Oregon Rev. Stat Sec. 315.610 Sec 743.652 (Definition for Secs. 743.650 - 743.656). Policy must have been issued after 1Jan00. Only about 200 people claimed this deduction in 2002. http://library.state.or.us/repository/2010/201011051345025/Dec2009.pdf
Pennsylvania	Fed pass-through?	3.07%	$0	Probably Federal passes through
Rhode Island	Fed pass-through	3.75% - 5.99% above $139,450; 4.75% at $100K	$0	Federal passes through
South Carolina	Fed pass-through	7% above $14,650	$0	Federal passes through
South Dakota		None	$0	No broad-based income tax per AARP (http://www.aarp.org/bulletin/longterm/a2003-06-23-taxincentives-.html)
Tennessee		5%*	$0	*State income tax only on interest and dividends (www.taxadmin.org/FTA/rate/ind_inc.html)
Texas		None	$0	No broad-based income tax per AARP (http://www.aarp.org/bulletin/longterm/a2003-06-23-taxincentives-.html)
				Repealed retroactive to 1Jan08. A deduction is allowed from federal taxable income of a

State	Credit or Deduction	Marginal Tax Rate	Typical Savings on $3500 Premium	Details
Utah	Repealed	5%	$0	resident or nonresident individual for tax years beginning on or after January 1, 2000, of any amounts paid for premiums on long-term care insurance policies to the extent the amounts paid were not deducted under Section 213 of the Internal Revenue Code in determining federal taxable income. [Chapter 60, §§ 59-10-114 (2)(K)(1999)]; Sec. 31A-1-301. Apparently the federal deduction passes through to the state.
Vermont	Fed pass-through	3.55%-8.95% above $416,700; 6.8% at $100K	$0	Federal passes through
Virginia	Itemized Deduction	5.75% above $17,000	$201.25	Allows a 100% deduction for premiums for LTCi, reduced by any amount claimed as a deduction for federal income tax purposes [Chapter 298, §§ 58.1-322(D)(10) (1999)] It seems that, if I don't claim a federal deduction (because not exceeding 10% of AGI threshold), I can claim full amount from VA. A prior credit (15% of premium paid in the first 12 months of the policy) expired on December 312, 2013. [58.1-339.11]
Washington		None	$0	No broad-based income tax per AARP (http://www.aarp.org/bulletin/longterm/a2003-06-23-taxincentives-.html)
West Virginia	Above-the-line Deduction	3% - 6.5% above $60,000	$227.50	A 100% deduction is allowed for taxable years beginning on and after the first day of January, 2000, for premiums for a long-term care insurance policy that offers coverage to either the taxpayer, spouse, parent or dependent, only to the extent the amount is not allowable as a deduction when arriving at the taxpayer's adjusted gross income. [Article 21 § 11-21-12C, Chapter 11 & 33-15A-4 (2000)] Apparently the federal deduction passes through to the state. http://www.legis.state.wv.us/wvcode/code.cfm?chap=11&art=21
Wisconsin	Above-the-Line Deduction	4% - 7.65%; 6.27% at $100K	$219.45	A 100% deduction for the amount paid for a long-term care insurance policy for the person and his or her spouse beginning on or after January 1, 1998. [WIS. STAT. § 71.05(6)(b)26 (1997)] to the extent that the same deduction is not taken on the Federal return (per more recent source) Apparently the federal deduction passes through to the state.
Wyoming		None	$0	No broad-based income tax per AARP (http://www.aarp.org/bulletin/longterm/a2003-06-23-taxincentives-.html)
TOTAL	**36 Jurisdictions**			

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