Impact of Long-Term Care on Tax Deductions; April 18th Tax Filing Deadline Looms for New Yorkers

NEW YORK--(BUSINESS WIRE)--April 6, 2006--When it comes to long-term care planning, income tax considerations are extremely important. And with the tax filing deadline only days away, Littman Krooks LLP is reminding New Yorkers to review the rules regarding the deductibility of long-term care insurance.

For federal income tax purposes, "qualified" long-term care insurance policies generally are treated in the same way as accident and health insurance policies, and long-term care services generally are treated in the same way as medical care. This results in three "tax breaks":

-- Unreimbursed expenses for federally defined "qualified" long-term care services may be deductible as an itemized medical care expenses.

-- Payments/benefits received from "federally-tax qualified" long-term care insurance policies are excluded from gross income, with certain restrictions.

-- Qualified long-term care premiums may result in a deduction (for federal purposes) and a 20% dollar for dollar tax credit (New York State).

"Qualified long-term care" services are necessary diagnostic, preventive, therapeutic, curing, treating, mitigating, and rehabilitative services, and maintenance or personal care services required by a chronically ill individual provided under a plan of care prescribed by a licensed health care practitioner. These services can be provided in a nursing home, assisted living facility, or in the taxpayer's home.

"Long-term care can be expensive and insurance for such care is growing in popularity," said Bernard A. Krooks, founding partner of Littman Krooks LLP and President of the National Academy of Elder Law Attorneys, New York Chapter. "It is important to understand the rules regarding the deductibility of long-term care insurance."

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