

Tax Guidance Deductibility of Long-Term Care Insurance Premiums as Age-Based Limits Rise for 2025

New federal guidance clarifies deductible long-term care premiums and updated age-based limits for the 2025 tax year.

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EINPresswire.com/ -- Federal tax guidance for the upcoming year confirms that long-term care insurance premiums remain deductible for many taxpayers, providing clarity at a time when demand for long-term care planning continues to grow. The rules apply to both traditional long-term care insurance policies and hybrid life or annuity contracts that include long-term care benefits.



Caregivers & Long Term Care

“Tax law around long-term care can be confusing, especially as more people explore hybrid policies,” said a spokesperson familiar with long-term care regulatory developments. “This latest guidance reinforces how premiums are treated and how individuals can align their planning with federal tax limits.”

Traditional long-term care insurance policies continue to offer access to [Medicaid protections called The Partnership for Long Term Care](#). Available in states that participate in the program. These protections allow qualifying policyholders to safeguard more personal assets if Medicaid assistance becomes necessary. Hybrid policies, including life insurance and annuities with long-term care riders, remain partially deductible—the deduction applies only to the long-term care portion of the premium.

Premiums for long-term care insurance are considered medical expenses for tax purposes. They may be deducted when total medical expenses exceed 7.5% of adjusted gross income. The IRS sets annual age-based caps on eligible long-term care premium deductions. For the 2025 tax year, individuals ages 51 to 60 may deduct up to \$1,800 in qualifying premiums, while those ages 61 to 70 may deduct up to \$4,810. These limits are updated annually. Consult your tax advisor.

[Download the 2025 Long Term Care Insurance Tax Guide](#)

“This structure is designed to reflect both rising care costs and inflation,” said an industry analyst who tracks long-term care trends. “It’s part of a broader effort to keep the tax code aligned with the realities of aging in America.”

Tax-qualified long-term care contracts must meet defined federal standards, including guaranteed renewability and specific consumer protections. For tax reporting, these policies are categorized as accident or health insurance. Health Savings Accounts and Medical Savings Accounts remain acceptable funding sources for long-term care insurance premiums, subject to IRS rules and contribution limits.

Many states also continue to offer tax incentives encouraging residents to plan for long-term care needs. These incentives vary by state and may include deductions or credits for individuals purchasing qualifying long-term care coverage.

Long-term care benefits themselves remain tax-free, whether paid through a traditional policy or via hybrid Life/LTC or Annuity/LTC plans funded with qualified retirement accounts such as IRAs or 401(k)s. Policy exchanges—replacing older life or annuity contracts with newer plans that include long-term care benefits—remain a common planning tactic.

“As care needs evolve, tax policy will continue to be a central part of how families prepare,” the analyst added. “The federal guidelines offer stability, but state-level changes will be important to watch.”

The average cost for care 2025: Home care \$75,000/year, Assisted living care \$64,200/year, Nursing home care \$116,800/year.

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