

# ST20-18 – Long Term Care Payments 1099-LTC

Long term care payments are usually reported on a 1099-LTC. A sample form is shown below.

CORRECTED (if checked)

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		1 Gross long-term care benefits paid	OMB No. 1545-1519	<b>Long-Term Care and Accelerated Death Benefits</b>	
		\$	Form <b>1099-LTC</b> (Rev. October 2019)		
PAYER'S TIN		2 Accelerated death benefits paid	For calendar year 20 <u>20</u>	<b>Copy C For Insured</b>  Copy C is provided to you for information only. Only the policyholder is required to report this information on a tax return.	
POLICYHOLDER'S TIN		\$	INSURED'S TIN		
POLICYHOLDER'S name		3 <input type="checkbox"/> Per diem <input type="checkbox"/> Reimbursed amount			
Street address (including apt. no.)		INSURED'S name			
City or town, state or province, country, and ZIP or foreign postal code		Street address (including apt. no.)			
Account number (see instructions)		City or town, state or province, country, and ZIP or foreign postal code			
4 Qualified contract (optional) <input type="checkbox"/>		5 (optional) <input type="checkbox"/> Chronically ill <input type="checkbox"/> Terminally ill		Date certified	

Form **1099-LTC** (Rev. 10-2019) (keep for your records) [www.irs.gov/Form1099LTC](http://www.irs.gov/Form1099LTC) Department of the Treasury - Internal Revenue Service

Long term care payments can be reported on a 1099-R with a box 7 distribution code of W. This code is in scope for Tax-Aide. The amount is not taxable but must be reported. Enter -0- in Box 2a of the 1099-R and--if itemizing--reduce the MAGI in the sales tax calculation by the amount in Box 1.

Long term care payments are made on a per-diem basis or as an actual reimbursement of expenses incurred.

- Per-diem plan payments are not taxable up to \$360 per day. If per-diem payments received are less than \$360 per day, the payments are excludible from gross income.
- Reimbursed amounts that are less than the actual cost of qualified care is excludible from gross income.

Accelerated Death Benefits under a life insurance contract are also reported on a 1099-LTC.

- Insured has been certified by a physician as terminally ill
  - Fully excludible from gross income

**Certified as chronically ill**

- Treated the same as paid under a qualified long-term care insurance contract

If there are multiple payees under the insurance contract, refer the taxpayer to a paid preparer. **OUT OF SCOPE**

**Qualified LTC Insurance Contract** - A qualified LTC insurance contract is a contract issued:

- After December 31, 1996, that meets the requirements of section 7702B, including the requirement that the insured must be a chronically ill individual (defined later), or

# ST20-18 – Long Term Care Payments 1099-LTC

- Before January 1, 1997, that met state law requirements for LTC insurance contracts at the time the contract was issued and has not been changed materially.
- In general, amounts paid under a qualified LTC insurance contract are excluded from your income. However, if you receive per diem payments (defined next), the amount you can exclude is limited to \$380 per day.

## Per Diem Payments

- Per diem payments are payments of a fixed amount made on a periodic basis without regard to actual expenses incurred. Box 3 of Form 1099-LTC should indicate whether payments were per diem payments

## References:

- IRS Pub 502
- Instruction for Form 8853
- Pub 17 Chapter 5
- Pub 4012-page D41, D52

## How to report 1099-LTC Payments.

- Go to the entry screen for Form 8853 (in the Adjustments section) and scroll to the Long-Term Care section. Answer the questions based on the information on Form 1099-LTC. Enter the number of days covered. The last two fields are rarely needed. Most payments will not be taxable.

Enter 8853 in TSO search box. Scroll down to the Long-Term Care (LTC) Insurance Contracts section of the form

**Step 1** - Check at the top of the form indicating who holds the contract (taxpayer or spouse).

**Step 2** – Enter the name and SSN of the insured

**Step 3** – In 2020, did anyone other than you receive payments on a per diem or other periodic basis under a qualified LTC insurance contract covering the insured or receive accelerated death benefits under a life insurance policy covering the insured.

- If you check this box, the return is **OUT OF SCOPE**.

**Step 4** - Was the insured a terminally ill individual?

If you check this box, follow the instructions on the form. None of the payment is taxable

**Step 5** – Enter the amount in box 1 of all the 1099-LTCs if per-diem is checked in box 3 of the 1099-LTC.

**Step 6** - Enter the part of the amount in Step 5 that is from qualified LTC insurance contracts. Usually shown in Box 1 of the 1099-LTC.

**Step 7** – Enter the amount in box 2 of the 1099-LTC if per-diem is checked in box 3.

**Step 8** – Enter the number of days in the LTC period

# ST20-18 – Long Term Care Payments 1099-LTC

**Step 9** – Enter actual costs incurred for qualified LTC services provided for the insured during the LTC period. Qualified LTC services are necessary diagnostic, preventive, therapeutic, curing, treating, mitigating, and rehabilitative services, and maintenance or personal care services required to treat a chronically ill individual under a plan of care prescribed by a licensed health care practitioner

**Step 10** – Enter reimbursements received or expect to receive through insurance or otherwise for qualified LTC services. Box 3 checked as reimbursement amount.


**Step 11** – Check the 1040 Schedule 1 line 8. If there is no amount in line 8 you are done and none of the payment is taxable. Also, review the return and find Form 8853. Line 26 should be zero.

If any of the payment is taxable, TSO will carry the taxable amount to the 1040 Schedule 1 line 8..

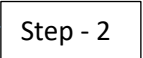
Any unreimbursed medical expenses can be deducted on Schedule A - Medical.

## Long Term Care (LTC) Insurance Contracts

Policy holder of LTC contract

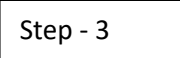
Taxpayer 

SSN of insured

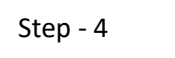
654 - 00 - 1234 

First name of insured

Last name of insured



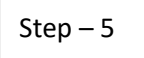
Check here if anyone other than you received payments on a per diem basis under a qualified LTC insurance contract covering the 'Insured' listed above OR if anyone other than you received accelerated death benefits under a life insurance policy covering the 'Insured' listed above.

Check here if the "Insured" was a terminally ill individual. 

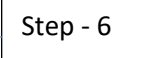
(If checked and the ONLY payments you received in were accelerated death benefits that were paid to you because the "Insured" was terminally ill, STOP. Do not enter information on any of the following lines.)

Gross LTC payments received on a per diem basis

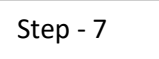
For all Forms 1099-LTC (received with respect to the "Insured") that have "Per Diem" checked in Box 3, add the amounts listed in Box 1. Enter the total here.

\$  

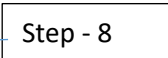
Portion of "Gross LTC payments" above that was from qualified LTC insurance contracts  
Usually shown in Box 1 of Form(s) 1099-LTC

\$  

Accelerated death benefits received on a per diem

\$  

Number of days in the LTC period \*



# ST20-18 – Long Term Care Payments 1099-LTC

Costs incurred for qualified LTC services provided for the insured

Step - 9

Total reimbursements received or that you expect to receive

Box 3 of Form 1099-LTC should indicate whether the payments were made on a reimbursement basis.

Step - 10