

ST14-18 – Long Term Care Payments 1099-LTC

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

CORRECTED (if checked)

PAYER'S name, street address, city or town, province or state, country, ZIP or foreign postal code, and telephone no.		1 Gross long-term care benefits paid \$	OMB No. 1545-1519	2014	Long-Term Care and Accelerated Death Benefits
		2 Accelerated death benefits paid \$	Form 1099-LTC		
PAYER'S federal identification number	POLICYHOLDER'S identification number	3 <input type="checkbox"/> Per diem <input type="checkbox"/> Reimbursed amount		INSURED'S social security no.	Copy B For Policyholder This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this item is required to be reported and the IRS determines that it has not been reported.
POLICYHOLDER'S name		INSURED'S name			
Street address (including apt. no.)		Street address (including apt. no.)			
City or town, province or state, country, and ZIP or foreign postal code		City or town, province or state, country, and ZIP or foreign postal code			
Account number (see instructions)	4 Qualified contract <input type="checkbox"/> (optional)	5 (optional)	<input type="checkbox"/> Chronically ill <input type="checkbox"/> Terminally ill	Date certified	

Form 1099-LTC (keep for your records) www.irs.gov/form1099ltc Department of the Treasury - Internal Revenue Service

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 \$330 per day. If per-diem payments received are less than \$330 per day, the payments are excludible from gross income.
- Reimbursed amounts that are less than the actual cost of qualified care are 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
- 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 \$320 per day.

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References:

- IRS Pub 502
- Instruction for Form 8853
- Pub 17 Chapter 5

How to report 1099-LTC Payments.

ADD Form 8853 Page 2 Long Term Care Contracts or link to this form from Wkt7 Line 11.

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

Line 14 – Enter the name and SSN of the insured

Line 15 – In 2014, 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 the answer to this question is “Yes”, the return is OUT OF SCOPE.

Line 16 - Was the insured a terminally ill individual?

If Yes, follow the instructions on the form. The amount on line 26 will be 0 and none of the payment is taxable

Line 17 – Enter the amount in box 1 of the 1099-LTC if per-diem is checked in box 3.

Line 18 - Enter the part of the amount on line 17 that is from qualified LTC insurance contracts.

Line 19 – Enter the amount in box 2 of the 1099-LTC if per-diem is checked in box 3.

Line 20 – Calculated – The sum of Lines 18 and Lines 19

Line 21 – Enter the number of days in the LTC period

Line 22 – Enter actual costs incurred for qualified LTC services provided for the insured during the LTC period.

Line 23 – Calculated – The larger of 21 or 22

Line 24 – Enter reimbursements received or expect to receive through insurance or otherwise for qualified LTC services. Box 3 of the 1099-LTC should indicate if payments were made on a reimbursement bases.

Line 25 – Calculated – Per-diem limitation

Line 26 – Taxable amount if any. In most cases this will be zero.

TaxWise will carry any taxable amount to 1040 Wkt 7, Line 11 and then to 1040 Line 21.

Any unreimbursed medical expenses can be deducted on A Detail, if itemizing.