

**MetLife®**



# LTCI 2007 Tax Supplement

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Metropolitan Life Insurance Company  
200 Park Avenue  
New York, New York 10166

### *Taxation of LTCI Per Diem Benefits – 2007*

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LTCI benefits paid on a per diem or other periodic basis under a TQ policy are excluded from income subject to a maximum of the excess of the greater of (a) \$260 per diem or (b) actual qualified long-term care expenses during this period, over (c) any reimbursement received for these expenses.

Example: If the LTCI policy pays a per diem benefit of \$270 in 2007, and there is no reimbursement of expenses incurred for qualified long-term care services during the periodic payment period, \$260 of that is tax-free and the other \$10 would be treated as taxable income, unless the actual long-term care expenses incurred were equal to or greater than the \$260 benefit received. In that case, the \$10 for actual long-term care expenses incurred would be excluded from income.

### *Tax Qualified Long-Term Care Insurance Premium Deduction Limits – 2007*

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The amount of eligible long-term care premiums that may be included as medical expenses on a tax return are based on an individual's age and is adjusted annually, based on increases in the medical component of the Consumer Price Index. This method may change however, to one considered more appropriate by the U.S. Treasury Department in consultation with the U.S. Department of Health and Human Services.

To be eligible for long-term care premium tax deductions, an individual must have a tax-qualified policy and itemize their expenses on a Form 1040 Schedule A. Some states may allow a greater deduction to tax-qualified Long-Term Care Insurance premiums in computing State Income Tax.

Below is a chart summarizing the premium deduction limitations for 2007.

## 2007 Premium Deduction Limitations

AGE	LIMITS
40 or less	\$290
41-50	\$550
51-60	\$1,110
61-70	\$2,950
71 and over	\$3,680

### *2007 Tax Deduction Example for:*

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#### *Individuals*

Assume that a 65-year-old individual and his 62-year-old spouse each purchase a Tax Qualified Long-Term Care Insurance policy.

Husband's annual Long-Term Care Insurance premium: \$1,600

Wife's annual Long-Term Care Insurance premium: \$1,250

Combined annual premium: **\$2,850**

Their combined Adjusted Gross Income (AGI) is \$50,000  
(\$50,000 x 7.5% AGI threshold) = **\$3,750**

Premium limitation for each is **\$2,950** (see chart above)

Other deductible medical expenses total \$3,000

**\$2,850** (\$1,600 + \$1,250) + **\$3,000** = **\$5,850**

Total deduction on Schedule A

**\$2,100** (\$5,850 - \$3,750)

***Certain Self-Employed Individuals/Sole Proprietors, Partners,  
S-Corporation Owners of 2% or more/Limited Liability  
Corporation Members***

Assume that a 55-year-old sole proprietor purchases a Tax Qualified Long-Term Care Insurance policy.

Her annual Long-Term Care Insurance premium: **\$1,940**

Premium limitation for eligible premiums under TQ LTCI is **\$1,110** (see chart on reverse side)

Total deduction (AGI deduction)

**\$1,110 x 100% (allowable percentage for 2007) = \$1,110**

*PLEASE NOTE: The enhanced Adjusted Gross Income deduction for self-employed individuals, etc., is only available when the individual is not eligible to participate in a subsidized Long-Term Care Insurance plan of the individual's employer (or of the employer of the spouse). For this purpose, eligibility will be determined without reference to a health plan other than Long-Term Care Insurance. **The deduction may not exceed the self-employed individual's earned income from his or her business and is not allowed for self-employment tax purposes.***

**Circular 230 NOTICE:**

**Pursuant to IRS Circular 230, MetLife is providing you with the following notification:**

**The information contained in this document is not intended to (and cannot) be used by anyone to avoid IRS penalties. This document supports the promotion of Long-Term Care Insurance. You should seek advice based on your particular circumstances from an independent tax advisor.**