

LONG-TERM CARE INSURANCE TAX-DEDUCTIBILITY RULES

Since Legislators realized that government can't pay all the bills for long-term care, the federal and a growing number of state tax codes now offer tax incentives to encourage Americans to take personal responsibility for their future long-term care needs.

The Health Insurance Portability and Accountability Act of 1996 ("HIPAA") included provisions for favorable tax treatment of qualified Long-Term Care insurance ("LTCi") contracts.

Guaranty Income Life Insurance Company offers this information to help you better understand the various tax implications relating to LTCi policies. This information is provided for informational purposes only and should not be construed as tax advice. Please consult a tax advisor regarding your particular circumstances.

INDIVIDUAL PURCHASE

Tax-qualified LTCi premiums are considered a medical expense. For an individual who itemizes tax deductions, medical expenses are deductible to the extent that they exceed 7.5% of the individual's Adjusted Gross Income ("AGI"). The amount of the LTCi premium treated as a medical expense is limited to the eligible LTCi premiums, as defined by Internal Revenue Code 213(d), based on the age of the insured individual. That portion of the LTCi premium that exceeds the eligible LTCi premium is not included as a medical expense.

AS YOU AGE – YOUR TAX DEDUCTIBLE LIMIT INCREASES

Individual taxpayers can treat premiums paid for tax-qualified long-term care insurance for themselves, their spouse or any tax dependents (such as parents) as a personal medical expense.

The yearly maximum deductible amount for each individual depends on the insured's attained age at the close of the taxable year (see Table 1 for limits on LTCi premiums paid in 2008). These deductible maximums are indexed and increase each year for inflation.

2008 Federal Tax Deductible Limits (Table 1)

Taxpayer's Age at End of Tax Year	Deductible Limit
40 or less	\$310
More than 40 but not more than 50	\$580
More than 50 but not more than 60	\$1,150
More than 60 but not more than 70	\$3,080
More than 70	\$3,850

Source: IRS Revenue Procedure: 2007-68

2009 Federal Tax Deductible Limits (Table 2)

Taxpayer's Age at End of Tax Year	Deductible Limit
40 or less	\$320
More than 40 but not more than 50	\$600
More than 50 but not more than 60	\$1,190
More than 60 but not more than 70	\$3,180
More than 70	\$3,980

Source: IRS Revenue Procedure: 2008-66

GREAT NEW BENEFITS EFFECTIVE JANUARY 1, 2010

The Pension Protection Act of 2006 ("PPA") provides new tax benefits for Long-Term Care plans that are combined with life insurance or annuities. These "combo LTC" plans allow tax free funding for the purchase of LTC benefits effective January 1, 2010.

AnnuiCare[®] has been sold by Guaranty Income Life since 1999 and is the original tax-qualified Annuity/Long-Term Care combo product. Beginning next year the premium paid for LTC benefits from the earnings on the AnnuiCare[®] annuity will no longer be taxable, so "combo product" purchasers will not need to use the deductible limits.

During the benefits phase, benefits paid from the annuity portion of AnnuiCare[®] are treated as distributions, thus any interest earnings are withdrawn first and taxable to the owner. Benefit payments made to providers may be tax deductible. With passage of the Pension Protection Act of 2006, beginning January 1, 2010 all benefits paid from your annuity for qualified LTC expenses are not taxable.

AnnuiCare[®] will provide **untaxed** LTC benefits at reduced premiums compared to individual policies and with tax free distributions to pay LTC claims.