...enjoy tax advantages... *...an innovative benefit...* *...obtain valuable coverage...* *...secure the future.*

C-Corporations

Employer-paid Premiums

In general, a C-Corporation can deduct as a business expense qualified long term care insurance premiums paid for employees, their spouses and dependents, and retirees. This deduction exists as long as there is no return of premium to the corporation or any residual rights to such premium.

Furthermore, the employer's contributions toward an employee's long term care insurance premiums are not included as income to the employee. This exclusion of income also applies to an employee's spouse and tax dependents, and retired employees. When a long term care policy is purchased for a shareholder not employed by the corporation, no deduction is available; and the premiums are considered as dividend interest to the shareholder.

Offerings to Members of a Board of Directors

If the Director is an employee and receives the benefit as an employee of the corporation, the premium paid by the employer is not included as income, and the corporation may deduct the contribution as a business expense. If the director is a non-employee, any long term care premium paid on his or her behalf will be considered taxable compensation. However, the premium may still qualify as an allowable business expense for the corporation.

S-Corporations and Partnerships

In general, the deductibility of premium payments by an S-Corporation or a Partnership is described below:

If an employee or shareholder owns more than 2% of stock or is a partner:

- Tax-qualified long term care insurance premiums paid by an S-Corporation on behalf of the 2%+ employee/shareholder are deductible by the S-Corporation, if the S-Corporation retains no interest in the policy.
- Long term care insurance premiums paid by the S-Corporation are required to be included in the employee's/shareholder's gross income. The 2%+ shareholder would be subject to the tax-deductibility rules for self-employed individuals. (Refer to "Self-employed Individuals" Section for details.)

If an employee or shareholder owns less than 2% of stock, and is not a partner:

- An S-Corporation may deduct premium paid for a tax-qualified long term care insurance policy for that individual as a reasonable and a necessary business expense, if the S-Corporation retains no interest in the policy.
- Employer-paid premiums are excluded as income to the employee.

Self-employed Individuals

For individuals who are self-employed (sole proprietors), premiums paid for qualified long term care plans may be 100% deductible as a business expense subject to the same limits as those for individual taxpayers.

Taxpayer's Age at end of tax year	2006 Limits Per Individual / For a Couple*
40 or less	$ 280 / $ 560
41 but not yet 51	$ 530 / $1,060
51 but not yet 61	$1,060 / $2,120
61 but not yet 71	$2,830 / $5,660
71 or older	$3,530 / $7,060

Source: IRS Revenue Procedure, 2005-70 *For same age couple.

Just as in business, you have to acknowledge the risk and plan accordingly. Limit your exposure to the risk of needing long term care: consider the solution of long term care insurance.

- **Risk:** One out of two Americans will require long term care at some point in their lives.[1]
- **Solution:** As a business in today's marketplace, take the opportunity to address the significant risk of long term care, while rewarding owners, officers, and other key employees: purchase long term care insurance for them.

- **Risk:** More than 90% of the executives polled believe elder care will be an increasing concern over the next five years.[2]
- **Solution:** Level premiums ensure a predictable, affordable expense, year after year. Plus, generous tax benefits make LTCi an affordable component of a competitive and innovative compensation package.

- **Risk:** Typical health insurance and Medicare do not cover most long term care costs, and Medicaid doesn't pay for long term care until an individual meets the federal poverty level, or spends down assets.
- **Solution:** Purchase long term care insurance for your employees and help them obtain long term care coverage while protecting hard-earned assets.

[1] "Baby Boomers Need to Plan for Their Future," American Health Care Association (AHCA), December 8, 1998

[2] USA Today, "Eldercare Challenges Employers," August 1998

...preserve assets...

LTCi is good sense because:

- The premiums paid for tax-qualified LTCi may be tax deductible as a business expense.
- The cost of coverage is easy for businesses to forecast and manage because premiums are based on age and health at time of enrollment.
- Employers can select the class of participants they wish to cover, since LTCi is not subject to non-discrimination rules.
- LTCi premiums paid by employers are not considered taxable income to employees.
- LTCi benefits received by policyholders when they need care are tax-free.
- Policyholders have peace of mind, knowing that their LTCi affords financial protection, helping to preserve assets should they need long term care.

Look inside for more information about how long term care insurance can be obtained for you and your employees using pre-tax business dollars.

MEDAmerica

MedAmerica Insurance Company
Home Office: Pittsburgh, PA

MedAmerica Insurance Company of New York
Home Office: Rochester, NY

While the statements on tax matters discussed in this brochure are believed to be accurate, the statements should in no way be construed to be or relied upon as legal or tax advice. Please consult with your own legal counsel or tax advisor on your specific situation.

Highlights of a Tax-Qualified Program For Business Owners

Tax benefits, financial protection, peace of mind:
Learn more about the value of tax-qualified
long term care insurance.

MEDAmerica
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Long term care insurance:

With stories about the Social Security and Medicaid crises filling evening newscasts, many Americans are worried about how they can get the long term care they need, while preserving hard-earned savings. Employees who have long term care insurance won't need to be worried: they'll have a solution that helps them obtain the long term care they need while protecting post-retirement assets. And with the generous federal tax benefits and credits that are available, it's never been more affordable for businesses to help employees obtain this valuable coverage.

Purchasing tax-qualified long term care insurance (LTCi) is good sense AND good business.

Why?