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NEW ROCHELLE REVIEW

APRIL 2006 - VOLUME 2, ISSUE 4

Important Tax Tips for New Yorkers

When it comes to long-term care planning, income tax considerations are extremely important. And with tax season here, it's critical to review the rules regarding the deductibility of long-term care insurance.

"Long-term care can be expensive and insurance for such care is growing in popularity," said Bernard A. Krooks, founding partner of Littman Krooks LLP and President of the National Academy of Elder Law Attorneys, New York Chapter. "It is important to understand the rules regarding the deductibility of long-term care insurance."

For federal income tax purposes,"qualified" long-term care insurance policies generally are treated in the same way as accident and health insurance policies, and long-term care services generally are treated in the same way as medical care. This results in three "tax breaks":

- Unreimbursed expenses for federally defined "qualified" long-term care services may be deductible as an itemized medical care expenses.
- Payments/benefits received from "federally-tax qualified" long-term care insurance policies are excluded from gross income, with certain restrictions.
- Qualified long term care premiums may result in a deduction (for federal purposes) and a 20% dollar for dollar tax credit (New York State)

"Qualified long-term care" services are necessary diagnostic, preventive, therapeutic, curing, treating, mitigating, and rehabilitative services, and maintenance or personal care services required by a chronically ill individual provided under a plan of care prescribed by a licensed health care practitioner. These services can be provided in a nursing home, assisted living facility, or in the taxpayer's home.

Littman Krooks LLP has been serving New York's senior population and those individuals with special needs for over 15 years (www.elderlawnewyork.com).