



# A guide to understanding tax forms

## Understanding the tax forms policyowners may receive for Long-Term Care Services<sup>SM</sup> Rider benefits paid, and charges deducted from a life insurance policy.

The Long-Term Care Services<sup>SM</sup> Rider (LTCSR) is available with certain permanent life insurance policies issued by Equitable. It is an accelerated death benefit for long-term care services. If certain conditions are met, a portion of the policy death benefit will be paid to the policyowner as a result of the insured being a chronically ill individual who is receiving qualified long-term care services as defined in the rider. Benefits accelerated under this rider will be treated as a lien against policy values. The rider benefits will also change other values of the policy.

### 1 Long-Term Care Services<sup>SM</sup> Rider benefit payments

Depending on which Long-Term Care Services<sup>SM</sup> Rider was issued with the permanent life insurance policy, benefits paid under this rider are treated as an acceleration of the death benefit and receive favorable tax treatment under either Section 7702B or 101(g) of the IRC. Regardless of whether the rider is qualified or not, the tax treatment of the rider benefit payments is the same.

**The HIPAA daily limit for 2021 is \$400 per day.<sup>1</sup>**

Rider version	Tax form	Explanation
<b>Qualified rider (IRC 7702B)</b> <ul style="list-style-type: none"> <li>Form #ICC19-R19-LTCSR</li> <li>Form #R19-LTCSR and state variations except NY</li> <li>Form #ICC12-R12-10</li> <li>Form #R12-10 and state variations except NY</li> </ul>	<b>1099LTC</b>	This form is for LTCSR benefit payments. All benefit payments will be reported. They are taxable to the extent they (together with any other long-term care benefits relating to the same insured) exceed the greater of actual expenses incurred or the HIPAA daily limit.
<b>Nonqualified rider (IRC 101(g))</b> <ul style="list-style-type: none"> <li>Form #R12-10NY</li> <li>Form #R06-90 and state variations</li> </ul>	<b>8853</b>	This is a required form to be filed by policyowners if LTCSR benefits were attributed to them. (Policyowner’s responsibility to include when filing their tax returns. Insurer does not send.)

<sup>1</sup> The Health Insurance Portability and Accountability Act (HIPAA) determines the daily limit, which represents a national average adjusted by a defined cost-of-living formula. For 2021, the daily HIPAA limit is \$400 (irs.gov), and is subject to an annual cost-of-living adjustment (COLA) thereafter.

## 2 Long-Term Care Services<sup>SM</sup> Rider charges — taxation and insurer reporting depends on rider version

**Qualified riders:** The rider is intended to be tax-qualified under IRC 7702B. This means the LTCSR charges are not taxable; however, charges reduce the cost basis of the policy. Although the term **tax-qualified** may sound superior to **non-tax-qualified**, the difference in taxation to the policyowner is minimal in most situations. One situation where a tax-qualified rider is generally more beneficial is when the life insurance policy is a Modified Endowment Contract (MEC) since there is no current taxation, although basis is reduced by the LTCSR cost of insurance (COI) charges.

**Nonqualified riders:** With a non-tax-qualified rider, the LTCSR COIs are viewed as distributions each year. Therefore, taxability depends on whether the policy is a MEC, whether there is remaining tax basis in the policy and whether there is gain in the policy.

Rider version	Tax form	Explanation
<p><b>Qualified rider</b></p> <ul style="list-style-type: none"> <li>• Form #ICC19-R19-LTCSR</li> <li>• Form #R19-LTCSR and state variations except NY</li> <li>• Form #ICC12-R12-10</li> <li>• Form #R12-10 and state variations except NY</li> </ul>	<p><b>1099R</b> — LTCSR charges are reported on this form.</p> <ul style="list-style-type: none"> <li>• Federal tax rules require insurers to report such amounts even though the amounts are not taxable.</li> <li>• Code W appears in box 7 of the 1099R for charges or payments for purchasing qualified long-term care insurance contracts under combined arrangements, which are excludible under section 72(e) (11) against the cash surrender value of a life insurance contract.</li> </ul>	<ul style="list-style-type: none"> <li>• LTCSR charges are not taxable even if the policy becomes a MEC.</li> <li>• LTCSR charges reduce the basis in the policy (but not below zero). A 1099R is provided to the policyowner to reflect the LTCSR charges. This does not impact the tax treatment of the policy death benefit or LTCSR benefit payments.</li> <li>• LTCSR charges are generally not considered deductible for income tax purposes.</li> </ul>
<p><b>Nonqualified rider</b></p> <ul style="list-style-type: none"> <li>• Form #R12-10NY</li> <li>• Form #R06-90 and state variations</li> </ul>	<p><b>1099R</b> — LTCSR charges are reported on this form.</p> <ul style="list-style-type: none"> <li>• The insurer will determine and report any taxable amount for a calendar year.</li> </ul>	<ul style="list-style-type: none"> <li>• Charges are treated as distributions each year.</li> <li>• For non-MECs, LTCSR charges generally reduce the basis in the policy. For MECs or non-MECs where there is no remaining tax basis, the deemed distributions are generally taxable if and to the extent there is gain in the policy. A 1099R is provided to the policyowner to reflect the LTCSR charges. This does not impact the tax treatment of the policy death benefit or LTCSR benefit payment.</li> <li>• LTCSR charges are generally not considered deductible for income tax purposes.</li> </ul>

### 3 Client marketing material

The planning perspective, **Accelerated Death Benefit for Long-Term Care**, provides general information on certain federal tax considerations concerning the rider. There are several versions of this piece for the different rider forms.

The planning perspectives and other marketing materials are located on [equitableLIFT.com/ltc](http://equitableLIFT.com/ltc).

### 4 Tax form samples

#### 1099-LTC

9999  VOID  CORRECTED

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.

1 Gross long-term care benefits paid

OMB No. 1545-1519

2020

Long-Term Care and Accelerated Death Benefits

2 Accelerated death benefits paid

\$ 25,800.00

3 Check one:  Per diem  Reimbursed amount

INSURED'S name

INSURED'S TIN

Form 1099-LTC

3 Check, if applicable:  Chronically ill  Terminally ill

Date certified

Copy A For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2019 General Instructions for Certain Information Returns.

Form 1099-LTC Cat. No. 23021Z www.irs.gov/Form1099-LTC Department of the Treasury - Internal Revenue Service

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LTCSR benefit payments

#### 8853

Form 8853 and instructions on how to complete the form are located on the IRS website at [irs.gov/pub/irs-pdf/f8853.pdf](http://irs.gov/pub/irs-pdf/f8853.pdf) and [irs.gov/pub/irs-pdf/i8853.pdf](http://irs.gov/pub/irs-pdf/i8853.pdf).

#### 1099R

VOID  CORRECTED

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and phone no.

1 Gross distribution

\$ 22.10

OMB No. 1545-0119

2020

Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.

2a Taxable amount

2b Taxable amount not determined  Total distribution

Form 1099-R

3 Capital gain (included in box 2a)

4 Federal income tax withheld

5 Employee contributions/ Designated Roth contributions or insurance premiums

6 Net unrealized appreciation in employer's securities

7 Distribution code(s)

W

8 Other

9a Your percentage of total distribution

9b Total employee contributions

10 Amount allocable to IRR within 5 years

11 1st year of desig. Roth contrib.

FATCA filing requirement

12 State tax withheld

13 Payer's state no.

14 State distribution

Account number (see instructions)

Date of payment

15 Local tax withheld

16 Name of locality

17 Local distribution

Form 1099-R www.irs.gov/Form1099-R Department of the Treasury - Internal Revenue Service

LTCSR charges

Code W appears in box 7 of the 1099-R for charges or payments for purchasing qualified long-term care insurance contracts under combined arrangements, which are excludable under section 72(e)(11) against the cash surrender value of a life insurance contract.

**Please contact the Life Sales Desk  
or visit [equitableLIFT.com/ltc](https://equitableLIFT.com/ltc) for more information.**

This guide provides a brief description of how the rider benefits and charges are treated according to the Internal Revenue Code (IRC). Please refer to the planning perspective, Accelerated Death Benefit for Long-Term Care Services<sup>SM</sup> Rider, for more information on the tax consequences of receiving Long-Term Care Services<sup>SM</sup> Rider benefits, and charges deducted from a life insurance policy account.

This guide is for reference purposes only and should not be considered tax or legal advice.

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