

2012

# Instructions Form 1099 LTC

## Long-Term Care and Accelerated Death Benefits

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Department of the Treasury **Internal Revenue Service**  
Section references are to the Internal Revenue Code  
unless otherwise noted.

## **What's New**

**Truncating policyholder/insured identification numbers on paper payee statements.** Notice 2011-38 allows filers of this form to truncate policyholder's and insured's identification numbers (social security number (SSN), individual taxpayer identification number (ITIN), or adoption taxpayer identification number (ATIN)) on paper payee statements for tax years 2011 and 2012. See part M in the 2012 General Instructions for Certain Information Returns.

## **Reminders**

**General instructions.** In addition to these specific instructions, you should also use the 2012 General Instructions for Certain Information Returns. Those general instructions include information about the following topics.

- Backup withholding.
- Electronic reporting requirements.
- Penalties.
- Who must file (nominee/middleman).
- When and where to file.
- Taxpayer identification numbers.

- Statements to recipients.
- Corrected and void returns.
- Other general topics.

You can get the general instructions from [IRS.gov](https://www.irs.gov) or by calling 1-800-TAX-FORM (1-800-829-3676).

**How to get the latest information.** If there are changes to the 2012 tax laws that affect this form, you can find them at [www.irs.gov/form1099ltc](http://www.irs.gov/form1099ltc).

## **Specific Instructions**

File Form 1099-LTC, Long-Term Care and Accelerated Death Benefits, if you pay any long-term care benefits.

### **Long-Term Care Benefits**

Long-term care benefits means:

1. Any payments made under a product that is advertised, marketed, or offered as long-term care insurance (whether qualified or not) and
2. Accelerated death benefits (excludable in whole or in part from gross income under section 101(g)) paid under a life insurance contract or paid by a viatical settlement provider.

### **Who Must File**

File Form 1099-LTC if you paid any long-term care benefits, including accelerated death benefits. Payers include insurance companies, governmental units, and viatical settlement providers.

## **Viatical Settlement Providers**

A viatical settlement provider is any person who:

1. Is regularly engaged in the trade or business of purchasing or taking assignments of life insurance contracts on the lives terminally or chronically ill individuals and
2. Is licensed in the state where the insured lives. If licensing is not required in the state, the provider must meet other requirements (including those below) depending on whether the insured is terminally or chronically ill.
  - a. If the insured is terminally ill, the provider must meet the requirements of sections 8 and 9 of the Viatical Settlements Model Act of the National Association of Insurance Commissioners (NAIC), relating to disclosure and general rules. The provider must also meet the requirements of the Model Regulations of the NAIC for evaluating the reasonableness of amounts paid in viatical settlement transactions with terminally ill individuals.
  - b. If the insured is chronically ill, the provider must meet requirements similar to those of sections 8 and 9 of the Viatical Settlements Model Act of the NAIC and must also meet any standards of the NAIC for evaluating the reasonableness of amounts paid in viatical settlement transactions with chronically ill individuals.



*However, if a state enacts a licensing requirement but does not permit viatical settlement providers to engage in business until the licenses are granted, the provider will not be considered as licensed under section 101(g)(2)(B)(i)(I). See Rev. Rul. 2002-82, which is on page 978 of Internal Revenue Bulletin 2002-51 at [www.irs.gov/pub/irs-irbs/irb02-51.pdf](http://www.irs.gov/pub/irs-irbs/irb02-51.pdf).*

### **Qualified Long-Term Care Insurance Contract**

A contract issued after 1996 is a qualified long-term care insurance contract if it meets the requirements of section 7702B, including the requirement that the insured must be a chronically ill individual (see *Chronically ill Individual* below). A contract issued before 1997 generally is treated as a qualified long-term care insurance contract if it met state law requirements for long-term care insurance contracts and it has not been materially changed.

### **Accelerated Death Benefits**

An accelerated death benefit is any amount paid under a life insurance contract for an insured individual who is terminally or chronically ill. It also includes any amount paid by a viatical settlement provider for the sale or assignment of a death benefit under a life insurance contract for a chronically or terminally ill individual.



## **Chronically ill Individual**

A chronically ill individual is someone who has been certified (at least annually) by a licensed health care practitioner as:

1. Being unable to perform, without substantial assistance from another individual, at least two daily living activities (eating, toileting, transferring, bathing, dressing, and continence) for at least 90 days due to a loss of functional capacity or
2. Requiring substantial supervision to protect the individual from threats to health and safety due to severe cognitive impairment.

## **Terminally ill Individual**

A terminally ill individual is someone who has been certified by a physician as having an illness or physical condition that can reasonably be expected to result in death in 24 months or less after the date of certification.

## **Reporting**

Report payments only if the policyholder is an individual. Reportable payments are those made to the policyholder, to the insured, or to a third party.

You may report benefits paid from each contract on a separate Form 1099-LTC. At your option, you may aggregate benefits paid under multiple contracts on one

Form 1099-LTC if the same information is reportable on the form for each contract (other than the amount of benefits paid).

## **Policyholder**

The policyholder is the individual who owns the contract, including the owner of a contract sold or assigned to a viatical settlement provider. In the case of a group contract, the term policyholder includes the certificate holder (or similar participant). You must report long-term care benefits to the policyholder even if the payments were made to the insured or to a third party (for example, a nursing home, caretaker, or physician). The policyholder also may be the insured.

Enter the name, address, and taxpayer identification number (TIN) of the policyholder on Form 1099-LTC. If the policyholder is not an individual, no reporting is required.

## **Insured**

The insured is the chronically or terminally ill individual on whose behalf long-term care benefits are paid.

Enter the name, address, and TIN of the insured on Form 1099-LTC.

## **Statement to Policyholder and Insured**

If you are required to file Form 1099-LTC, you must furnish a statement or acceptable substitute to both the policyholder and to the insured as shown.

<b>IF the statement is for the ...</b>	<b>THEN use...</b>
Policyholder	Copy B
Insured	Copy C
Policyholder and the policyholder is the insured	Copy B (Copy C is optional)

For more information about the requirement to furnish a statement to the policyholder and to the insured, see part M in the 2012 General Instructions for Certain Information Returns.

### **Account Number**

The account number is required if you have multiple accounts for a recipient for whom you are filing more than one Form 1099-LTC. Additionally, the IRS encourages you to designate an account number for all Forms 1099-LTC that you file. See part L in the 2012 General Instructions for Certain Information Returns.

### **Box 1. Gross Long-Term Care Benefits Paid**

Enter the gross long-term care benefits paid this year (other than accelerated death benefits). These benefits are all amounts paid out on a *per diem* or other periodic basis or on a reimbursed basis. It includes amounts paid to the insured, to the policyholder, and to third parties. You are not required to determine whether any benefits are taxable or nontaxable.

## **Box 2. Accelerated Death Benefits Paid**

Enter the gross accelerated death benefits paid under a life insurance contract this year to or on behalf of an insured who has been certified as terminally or chronically ill. Include the amount paid by a viatical settlement provider for the sale or assignment of the insured's death benefit under a life insurance contract.

## **Box 3. Check if Per Diem or Reimbursed Amount**

Check a box to indicate whether the payments were made on a *per diem* or other periodic basis or on a reimbursed basis. For accelerated death benefits, do not check a box if you made payments on behalf of a terminally ill person. *Per diem* basis means payments made on any periodic basis without regard to actual expenses. Reimbursed basis means payments made for actual expenses incurred.

## **Box 4. Qualified Contract (Optional)**

Check the box to indicate whether long-term care insurance benefits are paid from a qualified long-term care insurance contract. See *Qualified Long-Term Care Insurance Contract* on page 1.

## **Box 5. Check if Chronically ill or Terminally ill (Optional)**

Check the box to indicate whether the insured was chronically or terminally ill. Also, enter the latest date certified. If the insured was neither chronically nor

terminally ill, leave this box blank. See *Chronically ill Individual* and *Terminally ill Individual* on page 1.

