

# 2004



Department of the Treasury  
Internal Revenue Service

# Instructions for Form 1099-LTC

Section references are to the Internal Revenue Code.

## An Item To Note

In addition to these specific instructions, you should also use the **2004 General Instructions for Forms 1099, 1098, 5498, and W-2G**. Those general instructions include information about:

- Backup withholding
- Magnetic media and 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 the IRS website at [www.irs.gov](http://www.irs.gov) or by calling 1-800-TAX-FORM (1-800-829-3676).

## Specific Instructions for Form 1099-LTC

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 of 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.

- 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.
- 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, 2002-51 I.R.B. 978.*

### 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. Having a level of disability similar to the level of disability in 1 above (as prescribed by regulations); or
3. 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.

### 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 (e.g., 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.

| IF the statement is for the ...                  | THEN use...                 |
|--|-----------------------------|
| 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 **H** in the **General Instructions for Forms 1099, 1098, 5498, and W-2G**.

### 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 LTC-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 LTC-1.