

ASSISTED LIVING MAY BE A *FULL* MEDICAL TAX DEDUCTION.

Caution: *The information and observations contained here may be subject to varied interpretations by senior care professionals. Each resident should seek independent advice and counsel from their own accounting, tax, and/or financial professionals.*

IRS Publication 502, "Medical and Dental Expenses", (Year 2011 version available online at www.irs.gov), states in the Nursing Home section, "you can include in medical expenses the cost of medical care in a nursing home, home for the aged or similar institution for yourself, your spouse or your dependents. ***This includes the cost of meals and lodging in the home if the main reason for being there is to get medical care***".

IRS Publication 502 further defines the typical situation as involving a ***chronically ill individual***:

*"An individual is chronically ill if within the previous 12 months, a licensed health care practitioner has certified that the individual meets **either** of the following descriptions:*

1. *He or she is unable to perform at least two activities of daily living without substantial assistance from another individual, due to loss of functional capacity. Activities of daily living are eating, toileting, transferring, bathing, dressing and continence.*

Or...

2. *He or she requires substantial supervision to be protected from threats to health and safety due to severe cognitive impairment."*

Adult Children Can Also Take Deduction

In some cases, adult children may also benefit from the tax deduction if their parent qualified as a dependent. That means the adult children are providing at least 50 percent of the parent's financial support, including the assisted living monthly service fee. Check IRS Publication 502 and with your accountant for more specific details.

The 7.5 Percent Exclusion

The publication also advises the taxpayer how the deductions work.

*"You can deduct only the amount of your medical and dental expenses that is **more than 7.5%** of your adjusted gross income (Form 1040, line 38). In this publication, the term '7.5% limit' is used to refer to 7.5% of your adjusted gross income. The phrase 'subject to the 7.5% limit' is also used. This phrase means that you must subtract 7.5% (0.075) of your adjusted gross income from your medical expenses to figure your medical expense deduction."*

But most income-qualified Seniors are already at that threshold deduction level due to their current medical expense deductions (prescription drugs not covered by Medicare, medical co-payments, etc.).

Note that some medical deductions cannot be claimed if they have been reimbursed by either private insurance or the Medicare and Medicaid programs. And, unfortunately, low-to-moderate income seniors, who currently pay little or no taxes, will realize little benefit from this provision.