



## **Reconsidering the Medical Expense Deduction**

*DeAnna Alger, CPA*

Currently, for those taxpayers under the age of 65, an itemized deduction can be taken for medical expenses that exceed 10% of their adjusted gross income (AGI). For anyone age 65 or older, the old 7.5% AGI limit is still in place. However, this is only temporary. Beginning on January 1, 2017, the 10% threshold will apply to all taxpayers, despite their age. Regardless of what type of health coverage a taxpayer has, oftentimes they aren't able to take advantage of the medical expense deduction because the 10%, or even 7.5%, AGI threshold is too high. Unfortunately, the trends in current health care plans include things such as increased copays, reduced drug benefits, and increases in premiums being paid by employees. Consequently, taxpayers are currently paying much more in healthcare than they have in the past. In the near future, it is likely that more individuals will be able to take advantage of the medical expense deduction.

IRS Publication 502 is a very helpful tool when trying to determine what type of expenses can be claimed as a medical deduction on Schedule A, whose expenses can be deducted, how to treat reimbursements, and much more. Some of the most common and well known qualifying deductions listed include payments for doctor's visits, prescription drugs, medical tests, hospital bills, and medical insurance. There are also some less common expenses that taxpayers should be aware of. Below are some examples of these types of expenses.

1. **Alcohol and Drug Treatment.** A taxpayer can deduct amounts paid for inpatient treatment at a therapeutic center for alcohol and/or drug treatment. Meals and lodging provided by the center are also deductible.
2. **Improvements to Property.** Taxpayers can include in medical expenses amounts paid for special equipment installed in a home, or for improvements, as long as their main purpose is for medical care. Improvements must be built for a specific illness or condition, not just for the general improvement of health. Costs are only deductible to the extent that they exceed any increase in value to the property. Examples include: ramps, chair lifts, swimming pools, widening doorways, and modifying kitchen cabinets.
3. **Capital Expenditures.** Taxpayers can treat capital expenditures as medical expenses if they are expended for a medical purpose. Examples include telephone equipment for the hearing impaired, a guide dog for the blind, and home exercise equipment specifically prescribed to treat obesity.
4. **Education Expenses.** When a physician recommends special education to correct a medical condition, the expenses associated constitute deductible medical care.

5. **Long Term Care.** Amounts associated with long term care services are deductible medical expenses. Services include amounts paid to nursing homes or similar long term care facilities for individuals termed chronically ill.
6. **In Home Care Costs.** The cost of in-home care services is deductible as a medical expense as long as the expenses qualify as either medical care or long term care services. The taxpayer must be considered chronically ill for expenses to qualify as long term care services. Also, the services must be performed as part of a plan prescribed by a licensed health care practitioner.
7. **Retirement Community Fees.** A taxpayer can include as a medical expense, part of a life-care or “founder’s fee” that is paid either monthly or as a lump sum under an agreement with a retirement home.

Most taxpayers are uncertain throughout the year of what their tax situation will be at year end and have no idea whether or not they will be able to take advantage of claiming a medical deduction. Therefore, it is a great idea to keep track of all medical expenses as they occur so that compiling a list at the end of the year isn’t difficult. If you have any questions about whether or not your medical expenses qualify or want to know more about medical deductions in general, contact a tax professional at Zinner & Co.