



Välkommen Place Assisted Living

Fairview

A VibrantLiving Community

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Assisted Living As A Full Medical Tax Deduction

Caution: The information contained herein may be subject to varied interpretations by various professionals. Consumers should obtain independent professional opinions on this important matter.

“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 for at least 90 days, due to a loss of functional capacity. Activities of daily living are eating, toileting, transferring, bathing, dressing, and continence.
2. He or she requires substantial supervision to be protected from threats to health and safety due to severe cognitive impairment.”

Doesn't that sound like a typical high-acuity assisted living resident? Remember, qualification involves ***either*** condition.

Adult Children Can Also Take Deductions

In some cases, adult children may also benefit from the tax deduction if their parent qualifies as their dependent. That means that the adult children are providing at least 50% of the parent's financial support, including the assisted living monthly service fee. **Check with your accountant and IRS Publication 502 for other specific qualifying details.** www.irs.gov

The 7.5 Percent Exclusion

The IRS Publication 502 also advises the taxpayer how the medical tax deduction works:

“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 37). 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% (.075) of your adjusted gross income from your medical expenses to figure your medical expense deduction.”

Many income-qualified seniors are already at or near that 7.5% threshold deduction level due to their current medical expense deductions (prescription drugs, medical co-payments, etc.).

You should 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 concept.

A Big Break for Both the Senior Consumer and Sponsors

Each situation is obviously unique, but a \$40,000 income-qualified senior (private paying for assisted living or nursing) would **typically save approximately \$3,500 per year in taxes.**

Think of it this way. The after-tax benefit to a senior with a gross annual pre-tax income of \$40,000 is equivalent to *rolling back* your *base* monthly service fee prices approximately 2 to 3 years. That's assuming you normally have your fees escalated by about 4 percent annually. For a senior with a higher gross annual pre-tax income of approximately \$61,000, the effective roll back is about 5 years.

Senior living can be a prudent financial planning and investment strategy for senior consumers and their families.

A FINAL WORD: Always check with your professional advisors for permissible deductions.

Source: Moore Diversified Services, Inc.
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www.m-d-s.com