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MEDICAL EXPENSE DEDUCTIONS FOR ASSISTED LIVING COSTS

A senior usually has to be "chronically and permanently" ill to take a deduction for assisted living costs, but not always. Costs for a stay of a few months in an assisted living facility, such as a stay necessitated for recovery from a hospital operation, may be tax deductible. There are IRS restrictions and thresholds in place. Residents who are not chronically ill may still deduct the portion of their expenses that are attributable to medical care, including processing and entrance fees.

If you have burdensome bills or debt due to a temporary stay at an assisted living facility of, say, a few months, consult with a tax professional to see if you may be able to mitigate some of the burden with tax deductions even though you did not exactly meet the exact criteria for being "chronically ill." Because the law can be unclear, it is essential to consult with an accountant or tax attorney before taking all but the most clear cut medical deductions for assisted living costs. With that in mind, here are some guidelines for deducting medical expenses associated with residency at an assisted living home or community.

Costs for living in a "residential care community" or "assisted living board & care home" vary vastly, from as little as \$1500 per month, to the more typical \$3,500 to \$4,500 per month, all the way up to \$5,000 to \$6,000 per month for dementia care. Few people have long-term care insurance to pay for residential care home costs should the need arise. Medicare will not pay for custodial care or assisted living costs. And most people will not qualify for Medicaid to pay medical expenses at an assisted living community. Most Americans try to mitigate the cost of assisted living expenses through tax deductions.

In most cases, qualification for deductions are allowed only for medical or assisted activities of daily living care services provided according to a plan of care prescribed by a doctor, nurse, or licensed social worker. Assisted living expenses are tax deductible as medical expenses when the primary reason for the senior's presence at an assisted living community or board & care home is to receive care. The doctor, nurse, or social worker must certify in a prepared plan that the resident either:

- Cannot perform at least two activities of daily living, such as eating, toileting, transferring, bathing, dressing, or continence;
- Or requires supervision due to a cognitive impairment or dementia.

If the resident is chronically ill and in the facility primarily for medical care, and the care is being performed according to a certified care plan, then the room and board may be considered part of the medical care and all costs may be deductible, just as they would be in a hospital. The care facility may

indicate to you that you likely qualify for a tax deduction, but, again, you must consult with a tax professional to know for sure.

A son or daughter can deduct the medical care expenses for a parent from their own taxes if they pay, in a given tax year, more than 50% of the parent's support costs. The IRS allows a deduction from income tax for medical care of the taxpayer, the taxpayer's spouse, or a dependent. Deductions may be taken on expenses paid during the taxable year that were not compensated for by insurance or otherwise when the total uncompensated expenses exceed 7.5% of adjusted gross income.

IRS rules specify that if an individual is in a "home for the aged" for personal or family reasons, and not because he or she requires medical attention, meals and lodging at the home are not deductible as the cost of medical care. But even residents who are not chronically ill may still deduct the portion of their expenses that are attributable to medical care, including processing and entrance fees. And when the provision of medical care is the central reason for the person's presence at a care home or assisted living community, and meals and lodging are furnished as necessary for provision of care, the entire cost of medical care and lodging and meals qualifies as a tax deductible expense for medical care.

Lodging, food, and other costs incurred for the spouse of a resident who moves into assisted living facility for the primary purpose of residing with the spouse needing care are not deductible.