



## **The Medical Expense Deduction**

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Medical expenses are often overlooked as an itemized deduction which could be used to reduce the amount of income taxes you pay. Why? The reason is that it is difficult for most people to actually use this deduction. Medical expenses are deductible only when they exceed 7.5% of adjusted gross income. As an example, a person with an adjusted gross income of \$20,000 would only be able to deduct medical expenses that exceed \$1500, which is 7.5% of \$20,000.

In addition, you must forego the standard deduction and itemize expenses in order to deduct medical expenses. You may not be able to itemize unless you pay a large amount in state income taxes, have one or more pieces of property on which you pay mortgage interest and property taxes, and make substantial donations to charity. These are the large expenses that raise your itemized deduction total over your standard deduction amount. Once you reach this point, itemizing your deductions is more beneficial than taking the standard deduction.

If you itemize, you are able to deduct medical expenses for yourself, your spouse, dependents and adopted children. There is no requirement that the dependent live with you – only that he or she meets the Internal Revenue Service dependency tests and reside in or be a legal resident of the U.S., Canada or Mexico.

More taxpayers would be able to use the medical expense deduction if they were aware of all of the expenses that can be deducted, and if they properly scheduled elective medical procedures, preventative care, and payment for medical service. You are probably already aware that you are allowed to deduct visits to doctors, prescription drugs and the costs of hospital care, to the extent that these are not reimbursed. You are also able to deduct the cost of health insurance premiums that you pay.

You may be unaware that you can deduct the cost of acupuncture treatments, ambulance service, contraceptives prescribed by a doctor, prosthetic limbs, wheelchairs, false teeth, and eyeglasses or contact lenses. You can also deduct fees paid to a chiropractor, treatment for drug and alcohol addiction, and amounts

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you pay to purchase and care for a guide or helping dog. Dental procedures, fertility enhancing treatments, laser eye surgery, and fees paid to a school for a child with a severe learning disability – all are deductible.

You can even deduct legal fees when they are incurred in an effort to authorize treatment for mental illness. Sterilization, stop-smoking programs, transplants, telephone and television adaptations for a hearing-impaired individual, and vasectomies are also deductible expenses.

You can deduct the costs of a bus, taxi, train or plane when traveling primarily to get medical care. The expenses for a parent who must go with a child are also deductible, as are the expenses for a nurse or other person accompanying an adult who is unable to travel alone. Actual car expenses can be deducted, or you can deduct 12 cents per mile traveled. If you must stay out-of-town overnight, you may deduct up to \$50 per night per person for lodging.

Modifications made to your home for medical purposes are deductible to the extent they exceed the increase in value resulting from the modification. Some types of improvements do not usually increase the value of a home and are fully deductible. This type of improvement includes, but is not limited to, constructing ramps, widening doorways, installing railings and support bars, lowering or modifying kitchen cabinets and equipment, and grading the ground to provide access to the residence.

And, yes, the cost of a swimming pool is deductible if its primary purpose is for medical care. Even though the pool cost is deductible only to the extent that it exceeds the increase in the value of your property, the cost of pool chemicals and repairs are fully deductible as long as the medical condition exists for which the pool was installed.

Equally important are some things that are not deductible. Deductions cannot be taken for expenses incurred for purely cosmetic procedures or overall general health benefits. That includes most cosmetic surgery, health club dues, household help, maternity clothes, nutritional supplements, and nonprescription drugs.

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If you don't usually have enough expenses to itemize, consider "bunching" your deductions in order to get your total itemized expenses above the standard deduction amount, and to get your medical expenses above 7.5% of adjusted gross income. Delay, or accelerate, state income tax payments, charitable contributions, and medical procedures so that they all occur in the same year.

Remember, too, that medical expenses are deductible when paid, not when the service is rendered. Even if your procedures don't occur in the same year, you are able to deduct their costs in the same year if you pay them in the same year. Any expenses paid with a credit card are considered paid when you charge them to the card – not when you actually pay the credit card company.

Being able to decrease your taxes by deducting your medical expenses may not make you feel any better physically, but it can certainly help to ease the financial pain of medical care costs.

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