

# THE B&B ALERT

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## **TAX TIP: DEDUCTIBLE MEDICAL EXPENSES**

**Jennifer L. Donohue**

Taxpayers are entitled to deduct unreimbursed medical expenses paid during the tax year on behalf of themselves, their spouses and their dependents to the extent that those expenses exceed 7.5% of the taxpayer's adjusted gross income. Generally, in order to qualify as a dependent, an individual must: (1) have lived with the taxpayer for the entire year as a member of the taxpayer's household or be related to the taxpayer; and (2) have had more than half of his or her total support for the year provided by the taxpayer.

The definition of what constitutes a medical expense is very broad and includes expenses incurred in connection with the diagnosis, cure, mitigation, treatment or prevention of disease or for the purpose of affecting any structure or function of the body. The expenses must be incurred primarily to alleviate or prevent a physical or mental defect or illness.

Some examples of deductible medical expenses include: ambulance costs, artificial limbs, braille books and magazines, contact lenses, dentures, doctor and dentist fees, dental treatment, eye examinations and eyeglasses, health insurance premiums (including premiums paid for Medicare Part B supplementary medical insurance and for qualified long-term care insurance contracts), hearing aids, hospital bills, insulin, laboratory fees, laser eye surgery, lead-based paint removal, nursing services, optometrist fees, oxygen and oxygen equipment, physical therapy, prescription drugs, psychiatrist and psychologist fees, smoking cessation program costs, transportation costs incurred in connection with a trip taken primarily for medical purposes and surgery (but not if the surgery is performed for cosmetic reasons).

In addition, certain nursing home costs are deductible. If an individual resides in a nursing facility because of his or her physical condition, and the availability of medical care is a principal reason the placement, the entire cost of maintenance, including meals and lodging, is deductible. However, if an individual resides in a nursing home primarily for personal or family reasons, then only that portion of the cost, which is attributable to medical, or nursing care is deductible.

Finally, capital expenditures for home improvements and additions that are added primarily for medical care qualify for the medical expense deduction, but only to the extent that the cost of the improvement exceeds any increase in the value of the affected property. The entire cost of any improvement that does not increase the value of the property is deductible. Also, capital expenditures incurred to remove structural barriers to accommodate the condition

of a physically handicapped person generally do not increase the value of the residence, and, therefore, are fully deductible. The entire cost of special equipment used to mitigate the effects of a physical impairment is also deductible.



Begley & Begley P.C. is a law firm that concentrates on Estate & Tax Planning, Elder Law, Estate Administration, Guardianship and Will Contests, Real Estate, as well as Medicaid Planning. We are based in Moorestown, NJ, with offices in Avalon and Lawrenceville.

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Our web site contains a library of firm newsletters, articles, on-line forms for Medicaid, Estate Planning and Guardianship, as well as our upcoming speaking engagements, our products, and other relevant information.

**If you are interested in having an Elder Law Attorney from Begley & Begley speak at an event, please contact Laura Dickens at (856) 787-4233.**

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