

Deducting Medical Expenses From Your Taxes

By Littman Krooks LLP | 04/01/07

Tax time is approaching, and if you have a large number of medical expenses, you may be able to deduct many of these from your taxes. Many types of medical expenses are deductible, from long-term care to hospital stays to hearing aids. To claim the deduction, your medical expenses have to be more than 7.5 percent of your adjusted gross income. In addition, you can only deduct medical expenses you paid during the year, regardless of when the services were provided, and medical expenses are not deductible if they are reimbursable by insurance.

What you can deduct

You can deduct medical expenses for yourself, your spouse, and your dependents. The following are some of the items included in the definition of medical expenses:

- The cost of drugs that require a prescription. You can deduct insulin without a prescription.
- The cost of dental treatment, including x-rays, fillings, and dentures.
- The cost of travel to medical appointments.
- Premiums paid for insurance policies that cover medical care are deductible, unless the premiums are paid with pretax dollars. Generally, the payroll tax paid for Medicare Part A is not deductible, but Medicare Part B premiums are deductible.
- Payments made for nursing services. An actual nurse does not need to perform the services as long as they are the kind generally performed by a nurse.
- The cost of long-term care, including housing, food, and other personal costs, if you are chronically ill. Chronically ill means you are unable to perform (without substantial assistance) at least two activities of daily living, such as eating, toileting, transferring, bathing, and dressing for 90 days or you require substantial supervision due to a severe cognitive impairment.
- The cost of meals and lodging at a hospital or similar institution if a principal reason for being there is to receive medical care. The amount you include in medical expenses for lodging cannot be more than \$50 for each night for each person.
- Costs for medical equipment installed in a house or improvements made to the home if the equipment or improvements are needed to for medical care. If you make an improvement, the deduction must be reduced by the increase in the value of your property.
- The portion of a lump-sum or "founders fee" payment to a retirement home that is for medical care. The agreement with the retirement home must require that you pay a specific fee as a condition for the home's promise to provide lifetime care that includes medical care.
- The cost of medical expenses for an immediate family member (including in-laws) or someone who has lived with you for a year. The family member must be a U.S. citizen or legal resident or resident of Canada or Mexico and you must provide more than half of that person's support for the year. Even if the taxpayer

is not paying more than half family member's total support for the year, he may still be eligible for a deduction if a "multiple support agreement" is created. The taxpayer must pay more than 10 percent of an individual's total support for the year, and, with others who also support the resident, collectively contribute to more than half of the resident's support. All those supporting the individual must agree on and sign the applicable Multiple Support Declaration (Form 2021)

For more information on what you can and cannot deduct, see [Publication 502](#) on the IRS Web site.