

Claiming your medical expense deduction

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One category of itemized deductions on your tax return includes those for medical expenses. You are eligible to claim a medical expense deduction for you, your spouse and your dependents. The deduction is claimed on Schedule A of Form 1040. Keep in mind though, in order to claim the deduction your expenses must reach a certain threshold. Currently, this is 7.5% of your adjusted gross income (AGI).

As an example of this, let's say your adjusted gross income is \$100,000. During the year, you incurred eligible medical costs of \$10,000. The threshold of 7.5% of AGI is \$7,500. This means that only \$2,500 of your medical costs are deductible.

What constitutes a deductible medical expense? According to the IRS, a medical expense is for the diagnosis, cure, relief, treatment or prevention of disease and can involve treatment affecting any part or function of the body. The expense can be attributed to a preventative measure or the ease of a mental or physical issue. Medical expenses can include health insurance premiums you paid and transportation costs incurred when seeking care. When taking the deduction, make sure to keep supporting records for the expense. This is just in case the IRS ever chooses your return for audit.

However, you cannot take the deduction for any expense for which your insurance company or Medicare reimbursed you. Deductions are for out-of-pocket costs only. If you are reimbursed for more than the expense, it is best to consult your tax advisor.

Examples of deductible costs include ambulance services, crutches, doctors, eyeglasses and exams, false teeth, hearing aids, laboratory fees, prescription drugs and wheelchairs.

For more examples, please review IRS Publication 502, Medical and Dental Expenses. This is available on the IRS website at www.irs.gov. Please note that these deductions must help you exceed your standard deduction in order to give you extra tax benefits.

We mentioned that transportation costs are deductible. This is true if the expense was predominately for medical care. If

The premiums you pay for a tax-qualified long term care insurance policy can be added to medical expenses. The amount you are entitled to deduct depends on your age.

Age Deduction for 2020: 40 or younger, \$430; 41-50, \$810; 51-60, \$1,630; 61-70, \$4,350; 71 or older, \$5,430.

Be sure to review any costs for long-term care that you pay as some of these may be deductible.

The cost of special equipment is deductible if the main reason for the equipment is for medical care. But what if you have to make a permanent improvement, such as building a ramp, widening doorways, adding railings, or lowering countertops, to your home? If the improvement doesn't increase the worth of your home, the entire cost may be included as a deduction. If the improvement does increase the value, you will need to deduct the amount of the increase from the cost of the improvement. Any extra is the amount of the deduction. An appraisal may be needed to help you determine these numbers.

We have talked a bit about what is deductible. Now let's look at some costs that aren't. Those include funeral or burial expenses, health club dues, maternity clothes, vitamins, unnecessary cosmetic surgery, premiums for life and disability insurance.

Note that cosmetic surgery for a congenital abnormality, injury, or from a disfiguring disease is generally deductible.

Before deducting any medical expenses we suggest you discuss your situation with a certified financial planner or personal tax adviser. This could help you achieve the best tax result possible.

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you want to use your actual costs, you will need to keep track of your gas expenses and medical miles. Expenses such as depreciation, auto insurance, and general repair or maintenance are not expenses you can include. To make this calculation easier, each year the IRS provides a standard mileage rate for medical use. For 2020, the rate is 17 cents per qualifying mile. Parking fees and tolls can be included, as well.



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