



**STONEBAY**  
*of Orono*

SENIOR LIVING

## ASSISTED LIVING TAX DEDUCTIONS & EXPENSES

Understanding the ever-changing tax regulations isn't easy! If you are a caregiver, one deduction you may be overlooking is for a loved one's senior care. Family members who are financially responsible for helping pay the expenses associated with an aging parent's care are often surprised to learn that they may be entitled to deduct part of those expenses.

### Are Assisted Living Expenses Tax Deductible?

For a family member to receive a tax deduction, the person you are providing care and financial support for must be a spouse, dependent, or other qualifying relative. The IRS considers a qualifying relative to be a mother, father, grandparent, stepmother, stepfather, mother-in-law, or father-in-law.

Among the criteria you should be prepared to discuss with your tax preparer to determine if you are entitled to an assisted living tax deduction are:

- **Senior's Income:** Your senior loved one's gross income for the tax year must be less than \$4,050. While Social Security income is normally excluded, if your senior family member has other income, some of it may be taxable. Your tax preparer can help you make that determination.
- **Medical Expense Rule:** Your family must also meet the 7.5% rule. This rule can be beneficial in that it allows you to combine your medical expenses with your senior loved one's qualifying medical expenses. But you can only take the deduction if your combined medical expenses exceed 7.5% of your adjusted gross income.
- **Residency:** Your dependent senior must be a resident of the U.S., Mexico or Canada.

### Resources to Help You Understand the Senior Care Tax Deduction

If you would like to learn more about senior care tax deductions before you meet with your tax preparer this year, these IRS Publications can help:

- **Medical and Dental Tax Deduction (Publication 502):** This is a good resource for helping you understand which expenses are allowable (and those that aren't), who can be considered a dependent, and how to report deductions.
- **Credit for the Elderly and Disabled (Publication 524):** A good resource for determining who qualified individuals are and figuring out credits.
- **Tax Guide for Seniors (Publication 554):** This broad resource helps clarify rules on tax issues for topics ranging from reverse mortgages to credit for the elderly and disabled.

### **Find a Qualified Tax Advisor with Senior Care Experience**

Because this area of the I.R.S. tax code can be difficult to navigate on your own, we suggest you seek the advice of a certified tax professional. If you don't already have one, the Financial Planning Association has a database that allows you to search by zip code. They also have tools to help you interview potential advisors and to prepare for your first meeting.

If you are just beginning the search for senior living, we invite you to call the Elmcroft Senior Living community nearest you with any questions you might have about your loved one's needs.