## Itemized Deductions

# Medical Expenses

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## Itemized Deductions—Medical Expenses

Medical expenses are the costs of diagnosis, cure, mitigation, treatment, or prevention of disease, and the costs for treatments affecting any part or function of the body. Medical expenses include the costs of equipment, supplies, and diagnostic devices needed for these purposes. The expenses must be primarily to alleviate or prevent a physical or mental defect or illness.

### Limit on Itemized Deductions

Itemized deductions for medical expenses are limited to the amount above 10% of the taxpayer's adjusted gross income. Amounts below the percentage limit are not deductible.

## When Medical Expenses Are Deductible

Medical expenses are deductible in the year actually paid, regardless of when the services in the past were provided. Expenses paid by check are considered paid on the date mailed or delivered. Expenses paid by phone or online are considered paid on the date the financial institution statement shows as the payment date.

### Credit Card

Expenses paid by credit card are considered paid on the date charged to the credit card, not the date the balance on the credit card is paid.

### Future Services

Payments for care to be provided substantially beyond the end of the year are not deductible as medical expenses, except for lifetime care advance payments and payments for long-term care insurance.

## Whose Medical Expenses Are Deductible

Deductible expenses include those incurred by the taxpayer, spouse, or dependent.

### Spouse

The taxpayer must have been married to the spouse either at the time the spouse received the medical services or at the time the taxpayer paid the medical expenses.

### Dependent

Medical expenses paid for a dependent are deductible if the person was a dependent either at the time the services were provided or at the time the expenses were paid. For medical expense purposes, a dependent is any person for whom an exemption deduction is allowed, plus anyone who cannot be claimed as a dependent because of one of the following.

- The person who paid the medical expenses was a dependent of another taxpayer,
- The person for whom the medical expenses were paid filed a joint return,
- The person for whom medical expenses were paid had gross income of $4,050 or more during the year, or
- The dependency exemption for a child of divorced or separated parents was assigned to the non-paying parent.

***Example:*** *Alex is 27 and still lives at home with his parents. His parents could have taken an exemption deduction for him in 2017 had it not been for the fact that he earned $4,100 at a part-time job. However, the gross income test does not apply so Alex does qualify as a dependent for purposes of the medical expense deduction.*



# Medical Expenses

**Exception for an Adopted Child**

Generally, a dependent must be a U.S. citizen or national or a resident of the U.S., Canada, or Mexico. An adopted child that lived with the taxpayer all year passes this test if the taxpayer is a U.S. citizen or U.S. national.

## Decedent's Medical Expenses

Medical expenses paid before death by a decedent are included on the decedent's final return. This includes expenses for the decedent's spouse and dependents. A surviving spouse or personal representative of a decedent can choose to treat medical expenses paid by the estate for the medical care of the decedent as paid by the decedent at the time the medical services were provided if the expenses are paid within one year of the day after the date of death.

Medical expenses for a deceased spouse or deceased dependent are deducted on the taxpayer's return in the year paid, whether they are paid before or after the decedent's death. The expenses are deductible if the decedent was the taxpayer's spouse or dependent either at the time the medical services were provided or at the time the expenses were paid.

## Long-Term Care

Amounts paid for qualified long-term care expenses are deductible as medical expenses. Qualified long-term care services are necessary diagnostic, preventive, therapeutic, curing, treating, mitigating, rehabilitative services, and maintenance and personal care services that are required by an individual who is chronically ill, and are provided pursuant to a plan of care prescribed by a licensed health care practitioner.

## Medicines

The cost of prescribed medicines is deductible. Nonprescription medicines, such as nicotine gum and patches, are not deductible.

- ***Over-the-counter drugs.*** The cost of drugs purchased without a prescription, such as antacid, allergy medicine, and pain relievers, is not deductible as a medical expense. The cost of dietary supplements, such as vitamins, that are merely beneficial to the general health of the employee is not reimbursable on a pre-tax basis.
- ***Insulin exception.*** The cost of insulin is deductible whether or not it is prescribed by a doctor.
- ***Imported drugs.*** Imported prescription drugs can be deducted only if legally imported. The cost of prescribed drugs purchased and consumed in another country are deductible only if the drug is legal in both the other country and the United States.

## Nursing Home

The cost of living in a nursing home, including meals and lodging, is deductible if a principal reason for being there is to get medical care. If the taxpayer is in a nursing home for personal reasons, only the part of the cost that is for medical or nursing care is deductible.

## Reimbursed Medical Expenses

Medical expenses that are reimbursed by insurance, Medicare, Archer MSAs, health savings accounts (HSAs), or other sources are not deductible. Reduce total medical expenses paid by total reimbursements received during the year. Reimbursements for medical expenses are generally not included in income, and the expense that is reimbursed is not deducted from income. However, any medical expenses that exceed the reimbursements are deductible, and any reimbursements that exceed medical expenses are taxable to the extent the reimbursement was provided to the taxpayer on a pre-tax basis.

## Contact Us

There are many events that occur during the year that can affect your tax situation. Preparation of your tax return involves summarizing transactions and events that occurred during the prior year. In most situations, treatment is firmly established at the time the transaction occurs. However, negative tax effects can be avoided by proper planning. Please contact us in advance if you have questions about the tax effects of a transaction or event, including the following:

- Pension or IRA distributions.
- Significant change in income or deductions.
- Job change.
- Marriage.
- Attainment of age 59½ or 70½.
- Sale or purchase of a business.
- Sale or purchase of a residence or other real estate.
- Retirement.
- Notice from IRS or other revenue department.
- Divorce or separation.
- Self-employment.
- Charitable contributions of property in excess of $5,000.