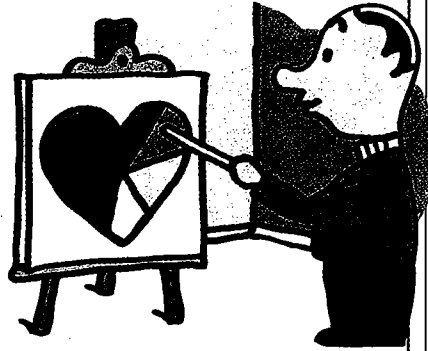


Robert M. Freedman, Esq.  
Freedman and Fish, LLP

# Tax Breaks When You Care For a Loved One



**T**he cost of long-term care is going through the roof. The average cost of a stay in a nursing home now exceeds \$74,000 a year. Even in-home care can be very expensive.

Income tax write-offs can defray some of these costs.

**Example:** Eligible medical expenses can be claimed as an itemized deduction to the extent that they exceed 7.5% of your adjusted gross income (AGI).

But the rules can be tricky. Here's what you need to know to get all the tax breaks you're entitled to...

### IN-HOME AND ADULT DAY CARE

Some of the elderly and infirm can get adequate medical care and personal assistance at home. *Some of these costs are considered deductible medical expenses...*

• **Nurses and home attendants.** Wages paid to a nurse to administer medications, change bandages or provide other medical assistance are deductible. So are wages paid to a home attendant for personal assistance, such as bathing and feeding. But any portion of wages for housekeeping services is *not* deductible.

**Caution:** If you hire a home attendant who becomes your employee, you are responsible for

employment taxes. You must pay Social Security and Medicare taxes (FICA), unemployment tax (FUTA) and state unemployment insurance, for wages over set amounts.

The federal employment taxes can be included as part of your personal income tax bill. Complete Schedule H, *Household Employment Taxes*, to include them on your Form 1040. These taxes are also deductible medical expenses.

As a practical matter, a home attendant may prefer to be paid "off the books," but then wages cannot be deducted—and it's also illegal.

• **Home improvements.** Costs for construction or installation of special equipment or facilities are deductible, but only to the extent that they do not increase the value of a home. This limitation, however, does not apply to changes made to accommodate a disabling condition. For example, the cost of installing ramps to accommodate your spouse's wheelchair is a deductible medical expense, regard-

*Bottom Line/Tomorrow* interviewed Robert M. Freedman, Esq., partner, Freedman and Fish, LLP, 521 Fifth Ave., New York City 10175. Mr. Freedman is founder of the National Academy of Elder Law Attorneys and former chairman of the elder law section of the New York State Bar Association.

