

Deductible Medical Expenses You Can't Afford to Overlook

When you have health problems, medical expenses can quickly add up, even if you have health insurance. That is why it's important to understand the rules for deducting qualified medical and dental expenses. According to the Texas Society of CPAs, if you itemize your deductions, you may be eligible to deduct unreimbursed medical, dental and vision care expenses for yourself, your spouse and your dependents.

PLAN TO MAXIMIZE DEDUCTIONS

Obtaining the tax deductions you deserve requires careful planning. For example, you may deduct as an itemized deduction qualified medical expenses that exceed 7.5 percent of your adjusted gross income (AGI). That means if your AGI is \$50,000, you can deduct only those unreimbursed expenses that exceed \$3,750. For alternative minimum tax (AMT), medical expenses must exceed 10% of AGI to be deducted. To maximize your deduction, you may want to try "bunching." When you bunch your deductions, you try to aggregate all the deductions you can into one year.

In a year when your medical expenses are high and you think you may exceed the 7.5 percent requirement, you may want to consider booking other necessary medical procedures or make qualified medical-related purchases in the same year so that you can qualify for a deduction. For example, if your son requires orthodontia treatment or you need a new pair of prescription glasses, accelerating those medical needs into the current year may make them deductible. Alternatively, if you don't expect to reach the 7.5 percent floor in the current year, you may want to defer non-essential medical treatment into next year when you may qualify for the deduction.

WHAT'S DEDUCTIBLE AND WHAT'S NOT

According to the IRS, a deduction is allowed for expenses paid for the diagnosis, cure, mitigation, treatment, or prevention of disease, or treatment affecting any structure or function of the body. Generally, you can deduct the cost of fees paid to doctors, dentists, surgeons, chiropractors, psychiatrists, and psychologists, as well as payments for hospital services, qualified long-term care, nursing care, laboratory, and x-ray fees.

Other deductible expenses include prescription drugs, contact lenses, prescription glasses, laser eye surgery to improve vision, hearing aids, and wheelchairs and walkers. If you are self-employed, you may deduct, as an adjustment to gross income, the full cost paid for medical insurance for you, your spouse, and your dependents. See IRS Publication 502, *Medical and Dental Expenses*, for a complete list of deductible expenses, <http://www.irs.gov/pub/irs-pdf/p502.pdf>.

The cost of transportation to and from essential medical care may also be deductible. When you use your car, you may deduct your actual expenses, such as gas and oil. Or you can take the standard mileage rate. The standard mileage rate for medical or moving purposes from Jan. 1, 2011 through June 30, 2011 is 19 cents per mile; from July 1, 2011 through Dec. 31, 2011 it is 23.5 cents per mile.

Non-deductible expenses include the cost of over-the-counter medications, vitamins or nutritional supplements, fees paid for health club dues and social activities such as dancing or swimming lessons. In addition, taxpayers interested in a hair transplant, teeth whitening or cosmetic surgery should not plan on deducting the cost.

MEDICALLY NECESSARY HOME IMPROVEMENTS

The IRS allows you to include as a medical expense the cost of home improvements or special equipment considered medically necessary for you, your spouse or your dependent. Examples of deductible expenses include constructing special entrance/exit ramps to your house, widening doorways, modifying kitchens or bathrooms, or adding a chairlift for the physically disabled. These structural improvements to accommodate the condition of a physically handicapped person generally do not add to the value of your home and are fully deductible.

If the improvement increases the value of your home, only the amount of the expense that exceeds the increase in the property value of your home is deductible. When the value of your property is not increased by the improvement, the entire cost may be included as a medical expense.

PROFESSIONAL ADVICE CAN HELP

Many people aren't aware of the many medical and dental expenses that are deductible. A CPA can help you determine if you qualify.

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