

Tax Breaks for Senior Care

When you hire a household employee to provide care for an elderly family member, you may be entitled to tax breaks to offset some of the payroll and tax expenses. There are two tax breaks available, of which one or both may help ease the financial burden of household employment. The following provides a basic explanation of these tax breaks.

ITEMIZED TAX DEDUCTION FOR MEDICAL EXPENSES

What is the medical expense deduction?

You may take an itemized deduction for medical expenses that you claim on Schedule A, Form 1040. You may deduct only the amount of the medical expense that is more than 10% of your adjusted gross income (AGI).

Who qualifies for the medical expense deduction?

You can take a tax deduction on expenses you paid for medical care for yourself, your spouse or a parent you claim as a dependent.

What types of care can be included in figuring your medical expense deduction?

The most common forms of qualifying care are listed below (for additional detail please refer to IRS Publication 502 and/or your personal income tax professional).

Disabled Dependent Care Expenses

This includes expenses incurred for care of a disabled spouse or dependent parent.

Long-Term Care Services

Long-term care services that are qualified include those that are necessary, preventative, therapeutic, treating, rehabilitative services and maintenance & personal care services. These services are required by a chronically ill individual and are provided pursuant to a plan of care prescribed by a licensed healthcare practitioner.

Nursing Services

Medical expenses include any wages paid for nursing services. The services need not be performed by a registered nurse as long as the services are of a kind generally performed by a nurse. This includes services connected with caring for the patient's condition.

For tax deduction purposes, your medical expenses cannot include the cost of general household services, even if the help is recommended by a doctor. However, you may be able to get a tax break on general household services through the Child and Dependent Care Tax Breaks described below.

Tax Breaks for Senior Care (cont.)

CHILD AND DEPENDENT CARE TAX BREAKS

What are the Child and Dependent Care Tax Breaks?

These tax breaks — offered as a tax credit on Form 1040 or as a pre-tax savings via a Flexible Spending Account (FSA) — help offset some of the expense of household services related to the care of a dependent (the tax savings are between \$600 and \$2,300 per year, depending on which type of tax break you are able to take).

Who qualifies for the child and dependent care expense tax break?

Your household employment wages qualify for this tax break if your spouse (or your dependent parent) is physically or mentally unable to care for himself/herself and you are either employed or a full-time student.

What types of household services can be applied toward the dependent care tax break?

You may include “usual and ordinary” services performed in and around your home. This includes the services of a caregiver, personal assistant, housekeeper or cook.

An Important Footnote: The same expenses cannot be applied toward both medical and dependent care tax breaks. To maximize your tax savings, please seek the advice of a personal income tax professional.