



Paying for Senior Living & *Income Tax Deductions*

Did you know that the cost of living at a Vantage Point Retirement community may be tax-deductible?

That's right – paying for personal care (PC) in Pennsylvania or assisted living (AL) in Delaware, as well as memory care may be considered an eligible medical expense, come tax season! In order to qualify for a deduction of 100%, a licensed health care professional must certify that a resident meets *at least one* of the following criteria:

Unable to perform at least two activities of daily living (dressing, bathing, using the bathroom, eating meals, and/or incontinence care) with the help of another person.

or

Requires substantial supervision to protect from health and safety due to cognitive impairment (such as from Alzheimer's or other dementia).

For those who don't meet the requirements above for a full deduction, a significant partial deduction *may* still be available. This partial deduction is 54% of a resident's basic service charges, plus 100% of any extended care services.

It is worth noting that this is a medical necessity provision, and based on an individual's unique situation. This tax benefit is not intended for a resident who may be residing in PC/AL or memory care out of convenience for the resident themselves or the convenience of family members. It's recommended that you obtain a letter from a physician to support the decision.

Check with The Experts!

Tax issues are complex! The information in this flyer is designed to provide you with helpful information, but should not be taken as tax advice. We recommend that you consult a trusted tax advisor to determine if and how this information may apply to your specific situation in the current tax year.



Family Members and Dependent Eligibility

If you are a family member of a resident in PC/AL or memory care who pays for 50% or more of a resident's care expenses, you may be able to claim the resident as a dependent and be able to receive a deduction yourself. Additionally, a person eligible to claim a resident as a dependent may be entitled to an additional exemption. Contact your tax advisor to find out if you qualify.

Additional Tax Benefits: Medical Deductions

These IRS tax benefits are complex. For instance, only medical expenses in excess of 7.5% (10% under 65) of a taxpayer's adjusted gross income (AGI) are deductible for tax purposes. For example, if a person's AGI equaled \$50,000, they could deduct medical expenses in excess of \$3,750. Please refer to IRS Publication 502, 'Medical and Dental Expenses' for further information.

Sample Savings

	28% Tax Bracket Full Deduction	28% Tax Bracket 54% Deduction
Deductible Portion of Care Costs	\$55,000	\$35,200
Exemption for Dependents	\$4,000	\$4,000
Total Deductions	\$59,000	\$39,200
Potential Savings	\$16,520	\$10,976

For further information, refer to:
IRS Publication 502, 'Medical and Dental Expenses' and
The Internal Revenue Code Sections 7702B(c)(1), 213, and 4980C and Notice 97-31, 1997, IRB, 05-06-97.