

Secure deductions at assisted living facilities

Suppose that a family member has to move into an assisted living facility (ALF). Although nursing expenses are generally deductible as medical expenses, the lines can get blurred.

Strategy: Keep detailed records of all expenses. Then make sure that deductions are claimed to the full extent of the tax law.

This may allow you to claim a medical deduction for the first time in years or increase an existing deduction. Under the Tax Cuts and Jobs Act (TCJA), the threshold for deducting medical expenses has been lowered from 10% of adjusted gross income (AGI) to 7.5% of AGI for 2017 and 2018 only. So this may be the last year you can cash in on this tax break.

To qualify as deductible medical expenses, ALF costs must be incurred for necessary rehabilitative services, maintenance or personal care services required for a chronically ill individual and pursued according to a plan of care by a licensed health care practitioner.

A “chronically ill individual” is defined as someone certified by a licensed health practitioner within the previous 12 months as:

- Unable to perform at least two activities of daily living (ADLs) without substantial assistance from another person for at least 90 days due to a loss of functional capacity
- Requiring substantial supervision to be protected from threats of health and safety due to severe cognitive impairment.

The ADLs for this purpose are eating, toiletry, transferring, bathing, dressing and continence.

The health care practitioner must personally examine the patient and sign off on a written opinion. Obtain this certification before the relative enters the ALF.

Tip: Even if the relative doesn't meet all these requirements, ALF costs attributable to nursing care are still deductible. Have the facility estimate that percentage.