

Check up on medical deduction

Although the Tax Cuts and Jobs Act (TCJA) notoriously cuts back certain deductions and wipes out others, it actually liberalizes the medical expense deduction for 2017 and 2018.

Strategy: Scour your records for deductible medical expenses. The threshold for deducting these expenses on 2017 returns is lowered—retroactively.

Previously, you could deduct medical expenses in excess of 10% of adjusted gross income (AGI) for 2017. Under the new law, the threshold for 2017 is only 7.5% of AGI. If you can locate expenses that have fallen through the cracks, they might qualify you for a deduction or increase an existing one.

Here's the whole story: Prior to enactment of the Affordable Care Act (ACA), the law known as Obamacare, the medical deduction threshold was 7.5% of AGI. The ACA raised the deduction threshold to 10% of AGI, except for a temporary reprieve for senior citizens. Now the TCJA returns the threshold to its lower level, effective for the 2017 and 2018 tax years.

For example, say that your AGI for 2017 is \$100,000 and a review of your records indicates that you incurred \$9,500 in qualified unreimbursed medical expenses. Prior to the TCJA, you would not have qualified for a deduction, but now you can write off \$2,000!

The list of qualified expenses goes much further than doctor and dental visits and hospital surgeries. Here are several examples of qualified expenses that are often missed.

- The cost of travel to receive medical care or treatment, including airfare, is deductible even if similar care or treatment is available nearby. If you go by car, you can deduct your actual expenses or a flat rate of 17 cents per mile if you drive (plus related tolls and parking fees) in 2017 (18 cents in 2018).
- You can deduct lodging at a hotel or motel while you are receiving medical care or treatment away from home. The limit is to \$50 per night per person. If a companion's presence on the trip is required, his or her cost is also deductible, subject to the \$50 limit.
- If a family member needs nursing services at home, the cost of the services is deductible. The medical care doesn't have to be provided by a registered nurse.
- If you make a home improvement for a medical reason (e.g., installing central air conditioning to alleviate asthma), you can deduct the cost to the extent it exceeds the increase in the home's value (if any).
- Prescription drugs and insulin are treated as deductible medical expenses, but not over-the-counter medications.

Note that you may also be able to deduct medical expenses of a relative you support, such as an elderly parent, if you pay for the expenses.

Tip: As the tax law currently reads, the lower 7.5%-of-AGI limit only remains in effect through 2018. It is scheduled to revert to 10% in 2019.