



We want to make sure you are aware that a portion, or all, of assisted living expenses may be considered medical expenses and, therefore, are tax deductible. This letter is to provide you with general information about this issue. However, you must consult your personal tax advisor for further information.

POSSIBLE TAX DEDUCTION OF ALL ASSISTED LIVING EXPENSES:

All of a resident’s assisted living expenses may be tax deductible as medical expenses for “long term care services” if the resident meets several criteria. First, the resident’s non-reimbursed medical expenses for the year must exceed 7.5% of his/her adjusted gross income. Second, the resident must have a cognitive impairment (such as dementia or Alzheimer’s disease) and/or require substantial assistance with at least two activities of daily living, which are: eating, toileting, transferring, bathing, dressing and continence.

POSSIBLE TAX DEDUCTION OF A PORTION OF ASSISTED LIVING EXPENSES:

If the resident’s physician does not believe that the resident has a cognitive disorder or requires assistance with two or more activities of daily living, only a portion of the assisted living expenses may be tax deductible. In this situation, the portion of assisted living expenses that covers meals and lodging is not tax deductible. However, the portion of assisted living expenses that covers health related care may be deductible.

THE IMPACT - POTENTIAL SAVINGS USUALLY RANGE FROM 10-20%

	WITHOUT AL MEDICAL TAX DEDUCTION	WITH AL MEDICAL TAX DEDUCTION
Gross Income	\$50,000	\$50,000
Adjusted Gross Income*	\$48,560	\$48,560
Standard Tax Deductions & Personal Exemption	\$8,750	\$3,400
Medical Tax Deduction Net of 7.5% AGI Exclusion	\$0	\$38,358
Adjusted Taxable Income	\$39,810	\$6,802
Taxes Paid	\$4,083	\$0
After-Tax Disposable Income After Paying Assisted Living Cost	\$3,917	\$8,000
After-Tax Assisted Living Cost per Month	\$3,500	\$3,160
Annual Savings	\$0	\$4,083

**Assumes \$800/month Social Security
 General Information Only - Please Consult Tax Advisor*