

# Tax Deductions for Assisted Living Costs

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If you or a family member lives in an assisted living facility, you know that assisted living costs continue to rise every year. But did you know some of those costs may be tax deductible? Medical expenses, including some long-term care expenses, are deductible if the expenses are more than 7.5 percent of your adjusted gross income.

In order for assisted living expenses to be tax deductible, the resident must be considered "chronically ill."

This means a doctor or nurse has certified that the resident either:

- cannot perform at least two activities of daily living, such as eating, toileting, transferring, bath, dressing, or continence; or
- requires supervision due to a cognitive impairment (such as Alzheimer's disease or another form of dementia).

In addition, to qualify for the deduction, personal care services must be provided according to a plan of care prescribed by a licensed health care provider. This means a doctor, nurse, or social worker must prepare a plan that outlines the specific daily services the resident will receive. Though not required by law, most assisted living facilities prepare care plans for their residents.

Generally, only the medical component of assisted living costs is deductible and ordinary living costs like room and board are not. However, if the resident is chronically ill *and* in the facility primarily for medical care and the care is being performed according to a certified care plan, then the room and board may be considered part of the medical care and the cost may be deductible, just as it would be in a hospital. If the resident is in the assisted living facility for custodial and not medical care, the costs are deductible only to a limited extent. In any case, the expenses are not deductible if they are reimbursed by insurance or any other programs.

Residents who are not chronically ill may still deduct the portion of their expenses that are attributable to medical care, including entrance or initiation fees. The assisted living facility is responsible for providing residents with information as to what portion of fees is attributable to medical costs.

In some circumstances, adult children may also get a tax deduction if their parents or other immediate family members (including in-laws) live at an assisted living facility and qualify as their dependents. The family member must be a U.S. citizen or legal resident or resident of Canada or Mexico and the adult child must provide more than half of the family member's support for the year. Even if the adult child is not paying more than half the family member's total support for the year, the child may still be eligible for a deduction if he or she contributes to the family member's support according to a "multiple support agreement." The adult child must pay more than 10 percent of an individual's total support for the year, and, with others who also support the resident, collectively contribute to more than half of the resident's support. All those supporting the individual must agree on and sign a Multiple Support Declaration.