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Some tax observers refer to the medical expense deduction as “Mission Impossible.” Granted, it’s difficult for most taxpayers to clear the annual threshold for deducting medical and dental expenses, but it’s still possible. And, in the event that a client is close to qualifying for a deduction, or has already qualified, some year-end tax planning can generate extra tax benefits.

Effective for 2013 and thereafter, a taxpayer may deduct qualified medical and dental expenses in excess of 10 percent of adjusted gross income (AGI). Previously, the threshold was 7.5 percent of AGI. What’s more, the cost of qualified expenses must be reduced by any insurance reimbursements. Because the deduction threshold is so high, many of your clients won’t be in line for a deduction.

The threshold has remained at 7.5 percent of AGI for taxpayers who are age 65 or older. But this reprieve only lasts through 2016. Beginning in 2017, all taxpayers will be subject to the 10 percent-of-AGI limit.

For this purpose, “qualified expenses” are payments for the diagnosis, cure, mitigation, treatment, or prevention of disease, or payments for treatments affecting any structure or function of the body. This includes health insurance premiums and a portion of premiums paid for long-term care insurance policies, based on the insured’s age. Other expenses that are often deductible are:

- Examinations by doctors, dentists, surgeons, chiropractors, psychiatrists, psychologists, and other medical practitioners;
- In-patient hospital care or nursing home services, including the cost of meals and lodging charged by the hospital or nursing home;

- Acupuncture treatments or inpatient treatment at a center for alcohol or drug

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- Reading or prescription eyeglasses or contact lenses, false teeth, hearing aids, crutches, wheelchairs, and for guide dogs for the blind or deaf; and
- Transportation to obtain medical treatment (e.g., fares for taxis, buses, trains and ambulances). If you use your own vehicle, you can deduct the portion of actual costs attributable to medical travel if you have the records or you can an IRS-approved flat rate (23 cents per mile in 2015 plus tolls and parking fees).

Year-end action: Crunch the numbers in 2015. If you're close to or already above the annual limit, you might accelerate elective expenses into this year. For instance, you may be able to move a physical exam or routine dental cleaning scheduled for January into December. This could put you over the threshold or increase your deduction. Conversely, if you have virtually no shot at a medical deduction for 2015, you may as well postpone non-emergency visits to next year and assess the situation again at the end of 2016.

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