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**PRODUCT & SERVICE GUIDE**

# Don't Miss This Opportunity for a Medical Deduction in 2020

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**Ken Berry** • Dec. 04, 2020



Forget about it being your *best shot* at a medical deduction this year—it could be your *last shot*, depending on your personal situation. It all has to do with the threshold for deducting medical expenses.

After you crunch the numbers, you might accelerate non-emergency expenses into 2020 to qualify for a deduction or boost an existing one.

**Basic rules:** Generally, you can deduct 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 visits to licensed healthcare providers as well as health insurance premiums and a portion of premiums paid for long-term care insurance (LTCI) policies based on the insured’s age. Dental expenses are also covered under this umbrella.

The medical deduction is available for expenses paid for yourself and members of your immediate family. Furthermore, you can count expenses you’ve paid on behalf of a relative—say, an elderly parent—who would qualify as your tax dependent.

Assuming you exceed the deduction threshold for the year, you can claim the medical expense deduction on Schedule A of Form 1040. In other words, you may deduct medical expenses only if you itemize. Those who claim the standard deduction get no tax benefit from these expenses. Due to several related changes in the Tax Cuts and Jobs Act (TCJA) affecting individuals from 2018 through 2025—including an increased standard deduction—fewer taxpayers are itemizing these days.

**But here's the main problem:** Even if you expect to itemize in 2020, you can only deduct unreimbursed expenses above the annual threshold. Prior to the TCJA, the threshold was based on 10% of your adjusted gross income (AGI). The TCJA lowered this floor to 7.5% of AGI, but only for 2017 and 2018. Subsequent legislation extended the lower 7.5%-of-AGI threshold through 2020.

Of course, this lower threshold could be extended again, but there are no guarantees. At this point, if you're anywhere close to qualifying for a deduction in 2020, push expenses into this year when you can. For instance, you may move a physical exam scheduled for January into December or arrange to have a dental cleaning a little earlier than usual. The extra expenses incurred in 2020 are deductible in 2020.

Of course, not every medical or dental expense is elective. Generally, you don't have control over the timing of most other deductible medical expenses. Also, note that the cost of cosmetic surgery doesn't qualify for the medical deduction.

What if you determine that you are nowhere close to deducting medical expenses in 2020 even if you accelerate certain expenses from 2021? In that case, you might as well do the opposite of what we advised above: Postpone elective expenses, when possible, to 2021. As a result, at least you have a chance at a medical deduction next year, even if that appears to be unlikely right now.

**Conclusion:** Make a thorough assessment of your situation at the end of the year. Comb all your records to see where you stand. If you have any questions as to whether an expense qualifies for the deduction, consult with your professional tax advisor.

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