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**TAX**

# Home Health Costs Can Be Tax Deductible

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**Ken Berry** • Nov. 09, 2022



Can You Deduct Nursing Care Expenses?

It's difficult, but not impossible, to qualify for a medical expense deduction on your personal tax return. Some often-overlooked expenses, like amounts paid for nursing care, can make a big difference.

**Background:** Currently, you can deduct unreimbursed medical expenses in excess of 7.5% of your adjusted gross income (AGI), down from 10% of AGI, if you itemize deductions. The medical expense deduction threshold had see-sawed back and forth for several years between 10% and 7.5% of AGI, but recent legislation made the lower threshold a permanent part of the tax code, beginning in 2021.

Nevertheless, this deduction threshold remains daunting for most taxpayers. For example, if you have an annual AGI of \$100,000 and incur \$8,500 in qualified medical expenses, your deduction is limited to just \$1,000. If you have \$7,000 in qualified medical expenses, you get no deduction.

Fortunately, the list of qualified medical expenses may encompass more than what you think. It isn't limited to doctor and dentist visits, hospital stays and the like. For example, you may count expenses you pay to a caretaker who helps out at your home, or the home of a relative, even if that worker doesn't have a medical degree. The care can be yourself, your spouse or a dependent who needs assistance due to an injury or illness.

**Example:** Suppose your spouse injures their back and can't work for a three-month stretch. You can't care for your spouse at home because you have to work. So you hire a nursing aide and pay them \$1,000 a week. The cost of the nursing care, a total of \$12,000 (\$1,000 x 12 weeks) qualifies for the medical expense deduction for itemizers.

The IRS says in its Pub. 502 (Medical and Dental Expenses) that the aide doesn't have to be a registered nurse or other professional. It can even be a family member or a friend!

**Caveat:** If the aide performs other household chores like cooking and cleaning, you must apportion their wages. Only the part allocable to medical care is deductible as a medical expense.

Going back to our example, say that you hire a housekeeper to do various chores while they're caring for your spouse. The housekeeper spends 50% of their time on your spouse's care and the other 50% on miscellaneous household duties. On these facts, the deductible amount is \$6,000 (50% of \$12,000).

The IRS also states in Pub, 502 that you can deduct part of the amount paid for a helper's meals. Furthermore, if you pay additional amounts for household upkeep because of the helper, you can include these extra amounts in your deductible medical expenses. Finally, you may deduct FICA tax you owe as an employer for compensation paid to the household worker that is attributable to nursing care.

**Reminder:** Every dollar you can count toward the deduction can help put you over the top of the 7.5%-of-AGI threshold or increase an existing deduction. Don't leave tax money on the table.

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