

Dosberg Manor Tax Information

Each year at this time we receive inquiries regarding the tax deductibility of the amounts paid for residing at Dosberg Manor. Below is a general outline of the tax treatment of payments for long term care services. It is important to understand that this is not to be considered legal or tax advice, rather information that should be shared with your tax advisor / preparer. A more complete explanation of the IRS guidelines regarding medical expense deductions can be found in IRS Publication 502, Medical and Dental Expenses and at the IRS website www.irs.gov.

The Health Insurance Portability and Accountability Act of 1996 (HIPAA) gave rise to favorable tax provisions relating to long term care services as an incentive for individuals to take financial responsibility for their long term care needs. These incentives broadened the medical expense deduction on Schedule A to include unreimbursed expenses for qualified long term care services.

Qualified long term care services for an individual, their spouse or a dependent are deductible from gross income as an itemized deduction to the extent the taxpayer's total of unreimbursed medical expenses exceeds 7.5% of adjustable gross income. If you or your spouse are 65 years of age before the end of the tax year the deduction threshold is 10.0% of adjustable gross income.

Qualified long term care services means necessary diagnostic, preventive, therapeutic, curing, treating, mitigating and rehabilitative services, and maintenance or personal care services that are required by a chronically ill individual and that are provided pursuant to a plan of care by a licensed health care practitioner.

A chronically ill individual is an individual who has been certified by a licensed health care practitioner as (1) being unable to perform (without substantial assistance) at least two activities of daily living for at least 90 days due to a loss of functional capacity, or (2) requiring substantial supervision to protect such individual from threats to health and safety due to severe cognitive impairment.

The HIPAA Act cleared up many of the uncertainties as to whether various expenditures qualified for the medical expense deduction. Now, qualified long term care services include maintenance or personal care services.

Maintenance and personal care services are defined as care for which its primary purpose is providing a chronically ill individual with needed assistance with his or her disabilities (including protection from threats to health and safety due to severe cognitive impairment).

Provided an individual meets either the activities of daily living or cognitive impairment requirements and the costs are pursuant to a plan of care prescribed by a health care practitioner, the entire amounts paid (including room and board) may qualify as a medical expense deduction.

If an individual does not meet the definition of a chronically ill person, they may qualify to deduct the portion of the costs that are attributable to medical care (excluding room and board). **The percentage of costs attributable to medical care at Dosberg Manor during 2021 is 41%.**