

# 2013 changes to itemized deduction for medical expenses which can affect home modifications made for accessibility purposes

The rules are changing if you plan to itemize medical deductions on your 2013 federal tax return that you will file in 2014.

Beginning Jan. 1, 2013, you can claim deductions for medical expenses not covered by your health insurance that exceed 10 percent of your adjusted gross income. This change affects your 2013 tax return that you will file in 2014.

There is a temporary exemption from Jan. 1, 2013 to Dec. 31, 2016 for individuals age 65 and older and their spouses. If you or your spouses are 65 years or older or turned 65 during the tax year you are allowed to deduct unreimbursed medical care expenses that exceed 7.5% of your adjusted gross income. The threshold remains at 7.5% of adjusted gross income AGI for those taxpayers until Dec. 31, 2016.

Beginning Jan. 1, 2017, all taxpayers may deduct only the amount of the total un reimbursed allowable medical care expenses for the year that exceeds 10% of your adjusted gross income.

## Questions and Answers: 2013 Changes to the Itemized Deduction for Medical Expenses

### 1. When do changes to the itemized deduction for medical expenses take effect?

The rules are changing if you plan to itemize medical deductions on your 2013 federal tax return that you will file in 2014. The change will not affect income tax returns for the 2012 taxable year that will be filed in 2013.

### 2. What amount of my medical expenses can I deduct beginning Jan. 1, 2013?

**If you and your spouse are both under age 65**, on your 2013 tax return that you will file in 2014, you can deduct on Schedule A, *Itemized Deductions* (Form 1040) only the amount of your unreimbursed allowable medical and dental expenses that is more than 10 percent of your adjusted gross income (AGI) from Form 1040, line 38.

**If you or your spouse is 65 or over**, you are temporarily exempt from the increase. The exemption applies to any tax year beginning after December 31, 2012, and ending before January 1, 2017, if you or your spouse attained age 65 during or before the tax year.

### 3. If I turn 65 in 2014, what threshold percentage should I use?

You will file your 2013 tax return – which you will file in 2014 - using the 10 percent threshold of your adjusted gross income. When you turn 65 in 2014, you will file your 2014 tax return in 2015 and will use the 7.5 percent threshold of your adjusted gross income. Beginning with your 2017 tax return (filing in 2018), and thereafter, you will use the 10 percent threshold of your adjusted gross income.

### 4. Whose medical expenses can I include?

You can generally include medical expenses you pay for yourself, your spouse, and your dependents. IRS Publication 502, *Medical and Dental Expenses*, contains additional information on medical expenses including how you figure and report the deduction on your return.

### 5. How do I figure the deduction if I am under 65?

To figure your medical and dental expense deduction on your 2013 tax return that you will file in 2014, follow the instructions to complete lines 1 through 4 of Schedule A, Form 1040.

IRS Publication 502, *Medical and Dental Expenses*, contains additional information on medical expenses including how you figure and report the deduction on your return.

## 6. How do I figure the deduction if I am over 65?

To figure your medical and dental expense deduction on your 2013 tax return that you will file in 2014, follow the instructions to complete lines 1 through 4 of Schedule A, Form 1040.

IRS Publication 502, *Medical and Dental Expenses*, and Pub 554, *Tax Guide for Seniors*, contain additional information on medical expenses including how you figure and report the deduction on your return.

## 7. What records should I keep for each medical expense?

For each medical expense, you should keep a record of:

- The name and address of each medical care provider you paid, and
- The amount and date of each payment.

You should also keep a statement or itemized invoice showing the following:

- A description of the medical care received
- Who received the care
- The nature and purpose of the medical expenses.

Do not send these records with your return. IRS Publication 502, *Medical and Dental Expenses*, contains additional information on medical expenses including how you figure and report the deduction on your return.

For additional information, see changes to the [itemized deduction for 2013 medical expenses](#).

You can include in medical expenses amounts you pay for special equipment installed in a home, or for improvements, if their main purpose is medical care for you, your spouse, or your dependent. The cost of permanent improvements that increase the value of your property may be partly included as a medical expense. The cost of the improvement is reduced by the increase in the value of your property. The difference is a medical expense. If the value of your property is not increased by the improvement, the entire cost is included as a medical expense.

Certain improvements made to accommodate a home to your disabled condition, or that of your spouse or your dependents who live with you, do not usually increase the value of the home and the cost can be included in full as medical expenses. These improvements include, but are not limited to, the following items.

- Constructing entrance or exit ramps for your home.
- Widening doorways at entrances or exits to your home.
- Widening or otherwise modifying hallways and interior doorways.
- Installing railings, support bars, or other modifications to bathrooms.
- Lowering or modifying kitchen cabinets and equipment.
- Moving or modifying electrical outlets and fixtures.
- Installing porch lifts and other forms of lifts (but elevators generally add value to the house).
- Modifying fire alarms, smoke detectors, and other warning systems.
- Modifying stairways.
- Adding handrails or grab bars anywhere (whether or not in bathrooms).
- Modifying hardware on doors.
- Modifying areas in front of entrance and exit doorways.
- Grading the ground to provide access to the residence.

Only reasonable costs to accommodate a home to a disabled condition are considered medical care. Additional costs for personal motives, such as for architectural or aesthetic reasons, are not medical expenses.

**Capital expense worksheet.** Use Worksheet A to figure the amount of your capital expense to include in your medical expenses.

**Worksheet A. Capital Expense Worksheet**

**Instructions:** Use this worksheet to figure the amount, if any, of your medical expenses due to a home improvement.

1.	Enter the amount you paid for the home improvement			1.	
2.	Enter the value of your home immediately after the improvement	2.			
3.	Enter the value of your home immediately before the improvement	3.			
4.	Subtract line 3 from line 2. This is the increase in the value of your home due to the improvement.			4.	
	<ul style="list-style-type: none"> <li>• If line 4 is more than or equal to line 1, you have no medical expenses due to the home improvement; stop here.</li> <li>• If line 4 is less than line 1, go to line 5.</li> </ul>				
5.	Subtract line 4 from line 1. These are your medical expenses due to the home improvement.			5.	

**Example.** You have a heart ailment. On your doctor's advice, you install an elevator in your home so that you will not have to climb stairs. The elevator costs \$8,000. An appraisal shows that the elevator increases the value of your home by \$4,400. You figure your medical expense as shown in the filled-in example of Worksheet A.

**Worksheet A. Capital Expense Worksheet—Illustrated**

**Instructions:** Use this worksheet to figure the amount, if any, of your medical expenses due to a home improvement.

1.	Enter the amount you paid for the home improvement			1.	8,000
2.	Enter the value of your home immediately after the improvement	2.	124,400		
3.	Enter the value of your home immediately before the improvement	3.	120,000		
4.	Subtract line 3 from line 2. This is the increase in the value of your home due to the improvement.			4.	4,400
	<ul style="list-style-type: none"> <li>• If line 4 is more than or equal to line 1, you have no medical expenses due to the home improvement; stop here.</li> <li>• If line 4 is less than line 1, go to line 5.</li> </ul>				
5.	Subtract line 4 from line 1. These are your medical expenses due to the home improvement.			5.	3,600

**Operation and upkeep.** Amounts you pay for operation and upkeep of a capital asset qualify as medical expenses, as long as the main reason for them is medical care. This rule applies even if none or only part of the original cost of the capital asset qualified as a medical care expense.

**Example.** If, in the previous example, the elevator increased the value of your home by \$8,000, you would have no medical expense for the cost of the elevator. However, the cost of electricity to operate the elevator and any costs to maintain it are medical expenses as long as the medical reason for the elevator exists.

**Improvements to property rented by a person with a disability.** Amounts paid to buy and install special plumbing fixtures for a person with a disability, mainly for medical reasons, in a rented house are medical expenses.

**Example.** John has arthritis and a heart condition. He cannot climb stairs or get into a bathtub. On his doctor's advice, he installs a bathroom with a shower stall on the first floor of his two-story rented house. The landlord did not pay any of the cost of buying and installing the special plumbing and did not lower the rent. John can include in medical expenses the entire amount he paid.

# Publications for Older Americans

The IRS has a Tax Counseling for the Elderly Program which offers FREE tax help to individuals who are aged 60 or older. Trained volunteers from non-profit organizations provide free tax counseling and basic income tax return preparation for senior citizens. Volunteers who provide tax counseling are often retired individuals associated with non-profit organizations that receive grants from the IRS. This cooperative agreement is authorized by Section 163 of the Revenue Act of 1978, Public Law No. 95-600, 92 Stat. 2810, November 6, 1978.

As part of the IRS-sponsored TCE Program, AARP offers the Tax-Aide program, assisting with tax services in every state and the District of Columbia in places such as senior centers, libraries, community centers, and other convenient locations across the country. Trained and certified AARP Tax-Aide volunteer counselors help people of low-to-middle income with special attention to those aged 60 and older. For more information on TCE call 1-800-829-1040. To locate the nearest AARP Tax-Aide site, call 1-888-227-7669 or visit [AARP's Website](#).

For more information on managing a complete TCE program, see [Publication 1101, Application and Guidelines for Managing a TCE \(Tax Counseling for Elderly\) Program](#).

## Persons with Disabilities

- [Publication 502](#), Medical and Dental Expenses
- [Publication 524](#), Credit for the Elderly or Disabled
- [Publication 907](#), Tax Highlights for Persons with Disabilities
- [Publication 3966](#), Taxpayers with Disabilities

## Planning for Retirement?

- [Publication 4644](#), Common Errors Made by Taxpayers 65 and Older
- [Retirement Savings Contributions Credit \(Savers Credit\)](#)
- [Choosing a Retirement Plan: 403\(b\) Tax-Sheltered Annuity Plan](#)
- [Resources - IRA-based Plans](#)
- [Choosing a Retirement Plan](#)
- [FAQ's regarding IRAs](#)
- [Publication 554](#), Tax Guide for Seniors
- [Publication 575](#), Pension and Annuity Income
- [Publication 590](#), Individual Retirement Accounts
- [Publication 721](#), Tax Guide to U.S. Civil Service Retirement Benefits
- [Publication 915](#), Social Security and Equivalent Railroad Retirement Benefits

## Mutual Fund Distributions

- [Publication 4334](#), SIMPLE IRA Publication
- [Publication 17](#), Your Federal Income Tax
- [Publication 523](#), Selling Your Home
- [Form 8822](#), Change of Address
- [Form 1040 \(Schedule R\)](#), Credit for the Elderly or the Disabled

## Withholding

- [Pensions and Annuity Withholding](#)
- [Tax Withholding](#)
- [Form W-4P](#), Withholding Certificate for Pension or Annuity Payments
- [Form 1040ES](#), Estimated Tax for Individuals
- [Publication 3864](#), Brochure - Tax Facts for Seniors with a Change in Marital Status

## Alerts

- [Consumer Alert on Credit Counseling Organizations](#)
- [Filing or paying late - Information Taxpayers should know!](#)

Many people today need more time to prepare their federal tax return. They may want to consider an extension for time to file. However, extension of time to file a return does not grant any extension of time to pay a tax liability.

## Miscellaneous help

- [Understanding IRS Notices](#)
- [Where to File](#)
- [What records should I keep?](#)
- [Help with technical tax questions](#)
- [Changing Your Address? Notify the IRS](#)
- [1040 Central](#)
- [Tax Trails](#)
- [Frequently Asked Tax Questions And Answers](#)
- [Need more help?](#)
- [Publication 4141, Did you know you can be charged tax on money you don't get?](#)
- [Publication 4141SP \(Spanish version\) - Did you know you can be charged tax on money you don't get?](#)
- [Tax Forms and Publications](#)
- [Topics for Retirees](#)
- [Disaster Area Tax Relief](#)
- [Publications Online](#)

## News Releases and Tax Tips

- [Tax Tips](#)
- [Latest News](#)
- [Fact Sheets](#)

## For more information on tax assistance in North Carolina:

Call **1-877-252-3052 (toll free)** and select the Individual Income Tax option to hear recorded information on many frequently asked individual income tax questions. Information about individual income tax and tax forms may be obtained from the website at [www.dornc.com](http://www.dornc.com). You may also call the Taxpayer Assistance and Collection Center also at **1-877-252-3052** (toll free) for additional assistance in completing your tax forms or to request specific forms. Some of the questions include information on the following:

- Filing Requirements
- Tax Credits
- Information for Military Personnel
- Bills
- Payments