

## Medical Deductions for Your Tax Return



Do you know how much you spent last year on medical expenses? Do you care? Well, you should. Why? Taxes! The word recounts a time every spring when you need to organize your finances. Though, it's probably not most people's favorite time of the year (well, if you're a CPA you may feel differently), this year may just be a chance for you to get some extra money on your return. It's time to put that shoebox full of medical receipts and EOBs to work for you and your family (and hopefully save some dollars along the way).

While taxes can be intimidating, medical tax deductions don't have to be. Itemizing your medical expenses to reduce the amount of taxes you owe is as simple as pulling together your receipts for payments and totaling the amount you paid in a given year for medical services, procedures, equipment, prescriptions, insurance premiums, and mileage. While it doesn't necessarily sound like "medical" terminology, dental expenses, vision expenses (glasses, contact lenses, exams), and hearing aids are even considered medical expenses for tax-purposes. Remember, you cannot deduct any of the expense covered by the insurance company, but you can deduct your co-pay and other out-of-pocket fees.

Yes! That's right! Your medical expenses are tax deductible if they exceed 7.5% of your AGI (we will tell you about that later). To help you get started, a complete list of items that can be deducted is available at the end of this guide or go online to <http://tinyurl.com/7la5t8>

### Finding Out If You Qualify

In order to qualify for a deduction, your medical expenses paid by you in 2008 have to be 7.5% or more of your Adjusted Gross Income (AGI). Your AGI is your income minus any adjustments from a 401k or other qualified investment (this would include your Health Savings Account contributions for the year). AGI is the last number at the bottom of your 1040 form.

**Here's an example:** let's assume your AGI for 2008 is \$40,000. In order to benefit from claiming your medical expenses as part of your itemized deductions (instead of the standard deduction), the medical expenses you paid would have to be \$3,000 or more.

### Next Steps

Here's what you need to do to take advantage of the deduction:

- Collect your receipts for all of the medical expenses paid in 2008 for you and your dependents.
- Organize receipts by each doctor, each hospital, each pharmacy, etc.
- Total the amount you personally paid to each of the providers.
- Multiply your AGI by 7.5% and compare to your total expenses.
- If your expenses are greater than 7.5% of your AGI, fill out IRS Schedule A form (found at <http://www.irs.gov/pub/irs-pdf/f1040sab.pdf>)
- Include the form with your tax return.



### Additional Tips and Info

A commonly overlooked expense is Transportation. For 2008, mileage for the purpose of receiving medical care was deductible at 19 cents per mile for the first half of the year and 27 cents per mile in the second half of the year. Even if you just traveled locally, the miles can really add up, and might be the thing that puts you over the 7.5% threshold, so be sure to consider your allowable mileage, as well as any parking and/or airline flight expenses you may have incurred for medical care.

There are tools available to help you organize and track expenses throughout the year. One we are very familiar with (and it's free) can be found online at [www.changehealthcare.com](http://www.changehealthcare.com). Here you can track your ongoing medical care and payments. At the end of the year, use the reports section, select "All of 2008 in One Report." And you'll be ready to tackle your tax preparation ... well at least this aspect of your taxes! Don't you wish it was all this straight forward? Don't just take our word for it, check it out at [www.changehealthcare.com](http://www.changehealthcare.com).

**NOTE:** In addition to all of the allowable deductions, there is an equally long list of expenses that are NOT deductible. For that list and more information, check out the IRS website at <http://www.irs.gov/publications/p502/index.html>. Both lists are on the next page of this document.

**FURTHER NOTE:** We're not accountants, and we're definitely not your accountant. Check with yours to be sure you qualify and file properly.

## Included Expenses

Abortion  
Acupuncture  
Alcoholism  
Ambulance  
Annual Physical Examination  
Artificial Limb  
Artificial Teeth  
Autoette  
Bandages  
Body Scan  
Breast Reconstruction Surgery  
Birth Control Pills  
Braille Books and Magazines  
Capital Expenses  
Car  
Chiropractor  
Christian Science Practitioner  
Contact Lenses  
Crutches  
Dental Treatment  
Diagnostic Devices  
Disabled Dependent Care Expenses  
Drug Addiction  
Drugs  
Eyeglasses  
Eye Surgery  
Fertility Enhancement  
Founder's Fee  
Guide Dog or Other Service Animal  
Health Institute  
Health Maintenance Organization (HMO)  
Hearing Aids  
Home Care  
Home Improvements  
Hospital Services  
Insurance Premiums  
Intellectually and Developmentally Disabled, Special Home for  
Laboratory Fees  
Lead-Based Paint Removal  
Learning Disability  
Legal Fees  
Lifetime Care—Advance Payments  
Lodging  
Long-Term Care  
Meals  
Medical Conferences  
Medical Information Plan  
Medical Services  
Medicines  
Nursing Home  
Nursing Services  
Operations  
Optometrist  
Organ Donors  
Osteopath  
Oxygen  
Physical Examination  
Pregnancy Test Kit  
Prosthesis  
Psychiatric Care  
Psychoanalysis  
Psychologist  
Special Education  
Sterilization  
Stop-Smoking Programs  
Surgery  
Telephone  
Television  
Therapy  
Transplants  
Transportation  
Trips  
Tuition  
Vasectomy  
Vision Correction Surgery  
Weight-Loss Program  
Wheelchair  
Wig  
X-ray

[http://www.irs.gov/publications/p502/ar02.html#en\\_US\\_publink100014854](http://www.irs.gov/publications/p502/ar02.html#en_US_publink100014854)

## Excluded Expenses

Baby Sitting, Childcare, and Nursing Services for a Normal, Healthy Baby  
Controlled Substances  
Cosmetic Surgery  
Dancing Lessons  
Diaper Service  
Electrolysis or Hair Removal  
Flexible Spending Account  
Funeral Expenses  
Future Medical Care  
Hair Transplant  
Health Club Dues  
Health Coverage Tax Credit  
Health Savings Accounts  
Household Help  
Illegal Operations and Treatments  
Insurance Premiums  
Maternity Clothes  
Medical Savings Account (MSA)  
Medicines and Drugs From Other Countries  
Nonprescription Drugs and Medicines  
Nutritional Supplements  
Personal Use Items  
Swimming Lessons  
Teeth Whitening  
Veterinary Fees  
Weight-Loss Program

<http://www.irs.gov/publications/p502/ar02.html#>