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MEDICAL EXPENSES REVISITED

By Victor Sy, CPA, MBA

Most of us take medical expenses for granted because we have to spend more than 7 ½ % of our gross income before we can deduct medical expenses. However, changes in health care plans make this a good time to brush up on 10 medical expenses.

1. Only **Prescription Drugs** are deductible. Over-the-counter drugs, even if taken to alleviate medical conditions, are not deductible. In other words, no prescription, no deduction.
2. **Special Diet** has to be prescribed by a physician for a specific ailment or supplemental to a regular diet. It should not be used for general well being or substitute for general meals.
3. **Weight Loss Programs** are deductible – again. The IRS ruled against weight loss programs but recently reversed itself, meaning that the cost of weight loss programs prescribed by physicians to cure specific ailments is now deductible. However, the Service emphasizes that the cost of diet foods is still nondeductible. Despite earlier private letter rulings, the IRS also states that costs to join gym and health clubs remain nondeductible even if prescribed by physicians for weight loss.
4. **Cosmetic Surgery** is nondeductible unless it treats an illness or disease. Common procedures such as face-lifts, breast augmentation, and liposuction are not medically necessary and are therefore not deductible.
5. **Medical Expenses of Dependents** are deductible even after we lose their dependency exemptions. When our children and other dependents exceed gross income tests, we lose them as dependents for exemption purposes. But not medical expenses. In other words, you may continue to deduct medical costs for dependents even if you can no longer take their exemptions for income tax purposes.
6. **Capital Expenditures** that do not relate to permanent improvements and are prescribed by physicians are fully deductible. These include wheelchairs, crutches, and portable oxygen equipment.
7. **Improvements to Property** such as home elevators, hot tubs, air conditioning, and swimming pools, are deductible only to the extent that costs exceed any increase to value of the property. Maintenance of these improvements to treat continuing medical care is always deductible.
8. **Long-term Care Services** paid to nursing homes and assisted living facilities for diagnostic, therapeutic or rehabilitative services prescribed by a doctor are deductible.
9. **In-Home Health Care Costs** for nurses, attendants, and caregivers are deductible if prescribed by a licensed healthcare practitioner for medical or long-term care.
10. **Travel Costs** for the diagnosis, cure, mitigation, or prevention of a specific disease are deductible. Travel to a golf course even if recommended by a doctor to develop motor skills is not. Travel to Hawaii during winter to stay away from cold weather to alleviate arthritis or escape the flu season is not deductible either. Nice try though.: