

## Financial Information

Everything You Need to Know to Become a Smarter Healthcare Consumer



# File a Medical Tax Deduction

Medical expenses can add up. Do you know how much you spent last year on medical expenses? Well, you should. Why you ask? The answer is **taxes!** The word itself brings to mind the joyous time each spring when you need to organize your finances. While this time of year may not be anyone's favorite, take hope in the fact that you may be able to get some extra money on your return. That's right, many medical expenses are tax deductible if your total expenses exceed 7.5% of your Adjusted Gross Income (AGI). Finally, that shoebox full of medical receipts and EOBs may be able to save you some money.

While adding on more work when filing your taxes may seem intimidating, it does not 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, equipments, prescriptions, insurance premiums and mileage. Medical services deemed tax deductible do not just include visits to a healthcare provider or your prescription. They also include health related services ranging from lead paint removal to stop-smoking programs, even seeing eye-dogs. If you wear glasses or contact lenses or use hearing aids, they are also considered medical for tax-purposes. Remember, you cannot deduct any of the expenses covered by the insurance company, but you can deduct your co-pay and other out-of-pocket fees. A list of the items that qualify as deductible is available at the end of this guide and online at

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

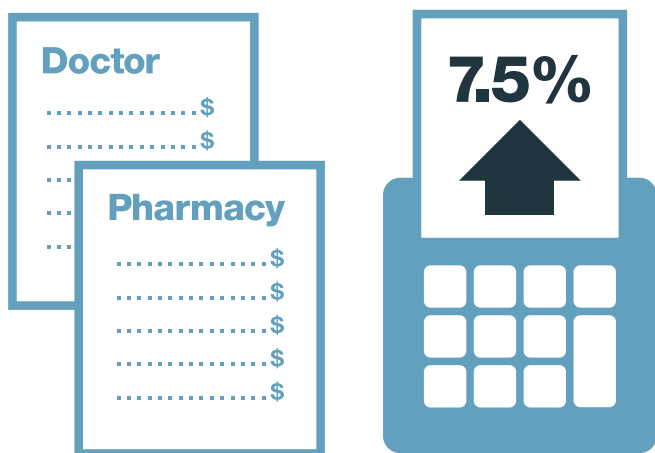
## How do you know if you qualify?

In order to qualify for a deduction, your medical expenses paid by you in the previous calendar year must be 7.5% or more of your 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). You can find your AGI at the bottom of your 1040 form.

**Example:** Let us assume your AGI for 2008 is \$40,000. In order to benefit from claiming your medical expenses, the medical expenses you paid would have to be \$3,000 or more.

$$\$40,000 \text{ AGI} \times \frac{7.5}{100} = \$3,000$$

Use the sample equation above and substitute your AGI for the previous calendar year to determine the amount your medical expenses have to total to qualify for a tax-deduction.



## Steps in Filing your Medical Deductions

1. Collect your receipts for all of the medical expenses paid during the previous year for you and your dependents.
2. Organize receipts by each doctor, each hospital, each pharmacy, etc.
3. Total the amount you personally paid to each of the providers.
4. Use the equation above, filling in your AGI, to determine 7.5% of your AGI and compare to your total medical expenses.
5. If your expenses are great than 7.5% of your AGI, fill out the IRS Schedule A form (find it here: <http://www.irs.gov/pub/irs-pdf/f1040sab.pdf>).
6. Include the form with your tax return.

## What else should you know?

A commonly overlooked, but important, medical expense is transportation. Even if you only travel locally, the miles can really add up, and might put 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.

Besides overlooked medical expenses, it is important to remember that there are expenses that are not tax deductible. For a list of non-includable expenses and more information, check out the IRS website at <http://www.irs.gov/publications/p502/index.html>.



## 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#>

## 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#>