

*You might be able to deduct a part or all of caregiver costs attributable to medical expenses.* HireFamily can help you with the documentation you need.

### **Internal Revenue Service Overview**

Please see for reference IRS publication 502 - [www.irs.gov/pub/irs-pdf/p502.pdf](http://www.irs.gov/pub/irs-pdf/p502.pdf)

You can include in medical expenses wages and other amounts you pay for nursing services. The services need not be performed by a nurse as long as the services are of a kind generally performed by a nurse. This includes services connected with caring for the patient's condition, such as giving medication or changing dressings, as well as bathing and grooming the patient. These services can be provided in your home or another care facility.

You can include in medical expenses amounts paid for qualified long-term care services - necessary diagnostic, preventive, therapeutic, curing, treating, mitigating, rehabilitative services, **and maintenance and personal care services** - that are:

- Required by a chronically ill individual, and
- Provided pursuant to a plan of care prescribed by a licensed health care practitioner.

Maintenance or personal care services is care which has as its primary purpose the providing of 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).

A qualifying relative for purposes of medical expenses deduction is a person

1. Who is your:
  - o Son, daughter, stepchild, or foster child, or a descendant of any of them (for example, your grandchild),
  - o Brother or sister, or a son or daughter of either of them,
  - o **Father or mother**, or an ancestor or sibling of either of them (for example, your grandmother, grandfather, aunt, or uncle),
  - o Stepbrother, stepsister, stepfather, stepmother, son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law, or
  - o Any other person (other than your spouse) who lived with you all year as a member of your household if your relationship did not violate local law,
2. Who was not a qualifying child of any taxpayer for 2009, and
3. For whom **you provided over half of the support** in 2009.

**Planning for a Medical Expense Deduction**

Medical expenses are deducted on Schedule A of Form 1040 and must exceed 7.5% of Adjusted Gross Income to be deductible. In order to make this deduction the following steps should be followed:

1. Have a licensed health care practitioner (usually the primary care physician) prepare a Plan of Care outlining the services that will be required by the person receiving the care. Hirefamily can provide a template for this document. The narrative accompanying this document should document that the individual is chronically ill and requires assistance in at least two Activities of Daily Living (ADL's) including bathing, dressing, toileting, mobility, eating or standing. Alternatively due to cognitive issues the individual requires the presence of a Caregiver.
2. A Daily Caregiver Log should be maintained in the home. This log documents the activities performed daily by the Caregiver and provides support and backup to the amounts paid to the Caregiver.
3. The Caregiver should complete a W4 and I9 and be paid with all appropriate taxes withheld.