



Assisted-Living Expenses May Be Tax Deductible

Assisted-living expenses may qualify as an income-tax deduction for a qualifying Sunnybrook resident or the resident's caregivers, according to the Internal Revenue Service*. Whether or not a Sunnybrook Village resident qualifies for this deduction—which can amount to tens of thousands of dollars each year—is determined by the medical and physical condition of the resident, as well as the nature of the services being provided.

If the qualifying individual is residing in an assisted-living facility because of preference or convenience, the assisted-living expenses won't qualify for an income-tax deduction. However, if the resident meets one of two criteria—1) due to the loss of functional capacity, the individual is unable to perform two out of six daily-living activities (ADLs) and the resident has been in this condition of diminished capacity for at least 90 consecutive days, or 2) the individual requires substantial supervision to protect them from health and safety threats due to severe cognitive impairment—the full cost of the assisted-living care may be deductible.

Resident's Deduction

A resident who meets the medical and care qualifications may be able to claim up to 100% of the cost of the assisted-living care as a deduction on their federal and Maine state tax return to the extent that the total expense exceeds 7.5% of their adjusted gross income.

Caregiver's Deduction

Caregivers who are paying part or all of the costs of Sunnybrook Village assisted-living care for a loved one may be entitled to deduct up to 100% of these costs—to the extent that the total expense exceeds 7.5% of their adjusted gross income—from federal and Maine state tax returns. First, the caregiver must be able to claim the Sunnybrook resident as a dependent; that means the caregiver must contribute at least 50% of the resident's support during the year, the individual has lived in the caregiver's household during the year or is a relative, the resident files taxes as a single taxpayer, and the resident's gross income is less than \$3,000 annually.

For Example

Let's consider the hypothetical case of Marian. Marian enjoys living in a Maple View Assisted-Living one-bedroom suite. She requires assistance with walking, bathing, and getting in and out of bed, and has the Advantage Premier assisted-living plan. Marian's daughter and son-in-law are paying her living costs at Sunnybrook Village and claim her as a qualified dependent; they are in the 30% federal tax bracket. In addition, Marian's daughter and son-in-law live in Maine, a state in which the law allows an income tax medical deduction for qualified assisted-living care.

Here's how the numbers will work out for Marian in 2003, her first year at Sunnybrook Village:

Admission Fee	\$800
Assisted-Living (12 months)	\$56,880
Dependent Exemption	\$2,900
<u>Total Deduction</u>	<u>\$60,580</u>
Potential Federal Tax Savings (30% bracket)	\$17,184
<u>Potential Maine State Tax Savings (8.5% bracket)</u>	<u>\$5,149</u>
Total Income Tax Savings to Marian's Caregivers	\$22,333

Please consult your tax advisor to determine your eligibility to claim federal and state medical deductions for the assisted-living costs of your family member.

*Internal Revenue Code Sections 7702B(c)(1), 213; Notice 97-1, 1977-21, IRB, 05-06-97