CCRCs & THE MEDICAL EXPENSE DEDUCTION

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- Trump's proposed omnibus tax plan would remove *all deductions* except for charitable and mortgage deductions.
  - The **Medical Expenses Deduction** is one of the many deductions that would be repealed.
  - The NaCCRA alert asks its members to contact their two Senators and the Congressman in their district to ask them NOT to repeal this deduction.

- The **Medical Expenses Deduction** allows seniors older than 65 years of age to deduct any medical expenses above **7.5%** of their adjusted gross income (AGI) from their taxable income.
  - Because CCRCs provide a full range of health care services, when residents enter a long-term contract with one of these facilities, they are contracting for future health care. **As a result, the IRS considers portions of CCRC's entrance fees and monthly fees to deductible under the Medical Expenses Deduction.** (https://www.elderlawanswers.com/tax-break-helps-pay-for-ccrc-fees-12288)

- Since CCRC entrance fees can be in the hundreds of thousands of dollars, this deduction is a major financial support for those elderly seeking to enter CCRCs

EXAMPLE #1:

Excerpted from this website: http://www.mylifesite.net/blog/post/taking-advantage-of-the-tax-benefits-of-ccrcs/)

If you are 65 or older and your AGI is $100,000, medical and dental expenses above $7,500 (7.5% x $100,000 = $7,500) are deductible for you. ***CCRC entrance fees and monthly fees would easily reach this threshold for many seniors.***

EXAMPLE #2:

Excerpted from this website: https://money.usnews.com/money/blogs/the-best-life/2011/07/15/understanding-a-key-tax-break-at-senior-communities

ACTS provided a sample case study of how the tax benefit would work at ACTS, where entrance fees are not refundable. The example is for a couple paying a $250,000 entrance fee and monthly fees of $3,500, which provides them a two-bedroom apartment and access to assisted living and skilled nursing services should they need them. The couple is assumed to be in a 20 percent federal income tax bracket.

Of the $250,000 entrance fee, $90,450 (36.18 percent of $250,000) would be considered a qualifying medical expense. Only medical expenses above 7.5 percent of adjusted gross income may be deducted from income taxes, so the amount of the deduction will depend on the couple's taxable income and whether they have any other qualifying medical expenses.

For a couple reporting $100,000 of taxable income (from Social Security, pensions, and investment earnings, for example), only medical expenses above $7,500 could be deducted. If the couple had no medical expenses other than their CCRC entrance fee, they could deduct $82,950 ($90,450 minus $7,500) from their taxable income. ***If they were in the 20 percent tax bracket, this would save them $16,590 in the tax year during which they paid the entrance fee.***

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