

Tax Deductible Expenses For Caregivers of Older Adults: Easing the Costs

 /Institute on Aging

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As we begin a new year, caregivers for older loved ones have a lot on their plates. You are facing another year with resolve and determination, with courage and with love, and with a plan to care both for your loved one and for yourself. This is what is on your mind. What might *not* be on your mind is taxes. But as you get ready to file in a couple months, it is a great idea to look back on 2017 and find out exactly what you can deduct due to your role as a caregiver.

There's no doubt that being a caregiver for a loved one (that is, a non-professional caregiver) can be draining financially. Many people who are caregivers have to either take on the finances of their loved ones, stop working or cut down on hours in order to help, or both. Regardless of your situation, a little bit more money in your pocket never hurts. The state recognizes that: there are many tax deductions, exemptions, and benefits for caregivers, which means that this April might not, in fact, be the cruelest month.

So when it comes time to prepare, find out what benefits you have accrued, and take advantage of them. Not only will they be helpful to you and your loved one, but you deserve them. Through your work, your sacrifice, your determination, and your love, you have earned them.

A Brief Note About Financial Advice

When it comes to finances, especially when it comes to taxes, there are no easy answers, and there is no one-size-fits-all solution. What we are doing in this article is listing a few common items that can potentially be deducted.

But keep in mind that every situation is different, and you can't just assume. None of this below should be construed as financial advice or legal guidance. Always talk to your tax preparer and work with them.

(In addition, all of this information is accurate for 2017. Like everyone else, we have no idea what the new tax bill will mean. This is still a good starting place, though.)

If you have questions, please look into our Personal Financial Management Services. We can help you talk to experts and people who know tax laws. They can provide guidance and support. While this list will help you compile possibilities, you need a pro for actuarial actualities.

Potential Tax Deductions for Older Adult Caregivers

The first thing that you need to establish is if your loved one technically counts as a dependent. If they do, and you claim them, you are already eligible for a good-sized deduction, especially since not only do you have a new claim, but you are bumped to Head of Household status (even if you live in a different house). This could be a difference of thousands of dollars.

There are a few qualifications for an older loved one to qualify as a dependent.

- They have to be a legal resident of the United States, Mexico, or Canada.
- You pay more than 50% of their living expenses. These expenses can include: Medical, Dental, Clothing, Rent/Mortgage, Transportation, Food and a few others.
- Their own taxable income can't exceed the cutoff for that year. In 2017, the cutoff is \$4,050. Social Security is tax exempt if a single filer reports under \$25,000 of taxable income or \$32,000 for filing jointly.
- Older adult doesn't file a joint return.

While often the dependent loved one is a parent, this isn't always the case. An aunt or uncle, brother or sister, or even a friend can be a dependent if they meet all the above requirements AND they have lived with you for no less than six months.

Another stipulation is that you don't have to pay 50% by yourself- you can split it among family members. Only one person can claim a dependent, but in order to claim while not paying 50%, anyone who pays 10% or more has to fill out their own Multiple Support Declaration waiving their right to a claim. This will obviously necessitate discussions with family members.

Dependent Care Credit

If your loved one doesn't qualify as a dependent because their own taxable income is too high or for other reasons, you may still qualify for the Dependent Care Credit. In order to be eligible, your loved one must live with you and you must hire a caregiver so that you yourself can work.

Be aware that this is more complicated than claiming your loved one as a dependent. Be sure to talk to an expert.

Deductible Medical Expenses

In addition to the immediate deductions, you are also eligible to deduct the cost of over 100 items, from medicine to wigs, that you pay for your loved one. Who specifically qualifies for this varies based on situation—they don't necessarily have to be a legal dependent. Be sure to discuss this with your tax professional.

These potential deductions are outlined in [IRS Form 502](#), and here is but a smattering.

- Ambulance Rides
- Diagnostic Devices
- Bandages
- Artificial Limbs
- Guide Dog

- Hearing Aids
- Nutritional Supplements
- Therapy

Remember that you can also deduct many long-term healthcare costs for the chronically ill.

Auto Expenses

I've often heard caregiving described as a "long road", and it is a journey, one whose end is both certain and unpredictable. But it also involves actually *being* on the road a lot. You drive from appointment to appointment, to the store and back, to various doctors and therapies and meetups with friends and graffiti classes (ok, that last one is our fault).

That puts a lot of wear and tear on your car. Luckily, you can deduct a lot of expenses for transportation primarily related to medical care (same caveats as medical expenses apply). This can include:

- Gas
- Oil
- Depreciation
- Parking Fees
- Tolls
- Public transportation (key in the Bay Area)
- Transportation for nurses, doctors, therapists, and other professionals (if patient is unable to travel)

This is a good spot to note that you can also deduct travel expenses of going to see a relative suffering mental illness, as visitation is a recognized form of therapy and care.

Home Repairs

Whether repairs and upgrades are in your home or your loved one's home, you can potentially deduct them if they are medically beneficial to your older loved one (getting a new grill doesn't count, even if you cook veggies on it).

There are many ways, big and small, that you can upgrade and retrofit a home to make it safer and more comfortable for your loved one. We've written several articles about it, but know that all of these can be deducted:

- Better handrails
- Grab bars in the bathroom or other rooms
- Ramps
- Better wheelchair and walker accessibility (wider doors)
- Smart home technology
- Slip-resistant technology

Addition by Deduction

There's no doubt that being a caregiver for an aging loved one can be a challenge. It will be beautiful and rewarding, and the time you spend could be some of the best time of your life. But there are considerations, and there are burdens.

Understanding the tax benefits of your caregiving can help to ease some of the financial burdens and the real emotional stress that can come with them.

A mind with less stress has more room for love and more room for adventure. You can be a better caregiver if some of your financial concerns are lessened, and that is good for everyone.

These aren't a cure-all, but knowing what you are eligible for—knowing what you, in every sense of the word, have *earned*—can make things easier.