Photographs of missing children. The Internal Revenue Service is a proud partner with the National Center for Missing and Exploited Children. Photographs of missing children selected by the Center may appear in this publication on pages that would otherwise be blank. You can help bring these children home by looking at the photographs and calling 1–800–THE–LOST (1–800–843–5678) if you recognize a child.

Medical conferences. You can include in medical expenses amounts paid for admission and transportation to a medical conference if the medical conference concerns the chronic illness of you, your spouse, or your dependent. The costs of the medical conference must be primarily for and necessary to the medical care of you, your spouse, or your dependent. You must spend the majority of your time at the conference attending sessions on medical information. The cost of meals and lodging while attending the conference are not deductible as medical expenses.

Introduction
This publication defines medical and dental care expenses. It contains an alphabetical list of items that you can or cannot include in figuring your deduction. It explains how to treat insurance reimbursements and other reimbursements you may receive for medical care. It also explains how to claim your medical and dental expense deduction.
See How To Get Tax Help near the end of this publication for information about getting publications and forms.

Comments and suggestions. We welcome your comments about this publication and your suggestions for future editions.
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We respond to many letters by telephone. Therefore, it would be helpful if you would include your daytime phone number, including the area code, in your correspondence.

What Is the Definition of Medical Care?

Medical care means amounts paid for the diagnosis, cure, mitigation, treatment, or prevention of disease, and for treatments affecting any part or function of the body. The medical care expenses must be primarily to alleviate or prevent a physical or mental defect or illness.

Medical care expenses include the premiums you pay for insurance that covers the expenses of medical care, and the amounts you pay for transportation to get medical care. Medical care expenses also include limited amounts paid for any qualified long-term care insurance contract.

What Expenses Can You Include This Year?

You can include only the medical and dental expenses you paid this year, regardless of when the services were provided. (But see Decedent under Whose Medical Expenses Can You Include, later, for an exception.) If you pay medical expenses by check, the day you mail or deliver the check generally is the date of payment. If you use a “pay-by-phone” or “on-line” account to pay your medical expenses, the date reported on the statement of the financial institution showing when payment was made is the date of payment. You can include medical expenses you charge to your credit card in the year the charge is made. It does not matter when you actually pay the amount charged.

If you did not claim a medical or dental expense that would have been deductible in an earlier year, you can file Form 1040X, Amended U.S. Individual Income Tax Return, for the year in which you overlooked the expense. Do not claim the expense on this year's return. Generally, an amended return must be filed within 3 years from the date the original return was filed or within 2 years from the time the tax was paid, whichever is later.

You cannot include medical expenses that were paid by an insurance company or other sources. This is true whether the payments were made directly to you, to the patient, or to the provider of the medical services.

When do you include a decedent's medical expenses? Medical expenses for a decedent that are paid from his or her estate are treated as paid at the time the medical services were provided if they are paid within the one-year period beginning with the day after the date of death. See Decedent under Whose Medical Expenses Can You Include, later.

Medical expenses paid before death by the decedent are included in figuring any deduction for medical and dental expenses on the decedent's final income tax return. This includes expenses for the decedent's spouse and dependents as well as for the decedent.

Qualified medical expenses paid before death by the decedent are not deductible if paid with a tax-free distribution from any medical savings account or Medicare+Choice savings account.

How Much of the Expense Can You Deduct?

You can deduct only the amount of your medical and dental expenses that is more than 7.5% of your adjusted gross income (line 34, Form 1040).

In this publication, the term “7.5% limit” is used to refer to 7.5% of your adjusted gross income. The phrase “subject to the 7.5% limit” is also used. This phrase means that you must subtract 7.5% (.075) of your adjusted gross income from your medical expenses to figure your medical expense deduction.

Example. Your adjusted gross income is $20,000, 7.5% of which is $1,500. You paid medical expenses of $800. You cannot deduct any of your medical expenses because they are not more than 7.5% of your adjusted gross income.

Separate returns. If you and your spouse live in a noncommunity property state and file separate returns, each of you can include only the medical expenses each actually paid. Any medical expenses paid out of a joint checking account in which you and your spouse have the same interest are considered to have been paid equally by each of you, unless you can show otherwise.

Community property states. If you and your spouse live in a community property state and file separate returns, any medical expenses paid out of community funds are divided equally. Each of you should include half the expenses. If medical expenses are paid out of the separate funds of one spouse, only the spouse who paid the medical expenses can include them. If you live in a community property state, are married, and file a separate return, see Publication 555, Community Property.
**Whose Medical Expenses Can You Include?**

You can include medical expenses you pay for yourself and for the individuals discussed in this section.

**Spouse.** You can include medical expenses you paid for your spouse. To claim these expenses, you must have been married either at the time you received the medical services or at the time you paid the medical expenses.

**Example 1.** Mary received medical treatment before she married Bill. Bill paid for the treatment after they married. Bill can include these expenses in figuring his medical expense deduction even if Bill and Mary file separate returns.

If Mary had paid the expenses before she and Bill married, Bill could not include Mary's expenses in his separate return. Mary would include the amounts she paid during the year in her separate return. If they filed a joint return, the medical expenses both paid during the year would be used to figure their medical expense deduction.

**Example 2.** This year, John paid medical expenses for his wife Louise who died last year. John married Belle this year and they file a joint return. Because John was married to Louise when she incurred the medical expenses, he can include those expenses in figuring his medical deduction for this year.

**Dependent.** You can include medical expenses you paid for your dependent. To claim these expenses, the person must have been your dependent either at the time the medical services were provided or at the time you paid the expenses. A person generally qualifies as your dependent for purposes of the medical expense deduction if:

1) That person lived with you for the entire year as a member of your household or is related to you,

2) That person was a U.S. citizen or resident, or a resident of Canada or Mexico for some part of the calendar year in which your tax year began, and

3) You provided over half of that person's total support for the calendar year.

You can include the medical expenses of any person who is your dependent even if you cannot claim an exemption for him or her on your return.

**Example.** Last year your son was your dependent. This year he no longer qualifies as your dependent. However, you paid $800 this year for medical expenses your son incurred last year, when he was your dependent. You can include the $800 in figuring this year's medical expense deduction. You cannot include this amount on last year's return.

**Adopted child.** You can include medical expenses that you paid for a child before adoption, if the child qualified as your dependent when the medical services were provided or when the expenses were paid. If you pay back an adoption agency or other persons for medical expenses they paid under an agreement with you, you are treated as having paid those expenses provided you clearly substantiate that the payment is directly attributable to the medical care of the child. But if you pay back medical expenses incurred and paid before adoption negotiations began, you cannot include them as medical expenses.

**Support claimed under a multiple support agreement.** A multiple support agreement is used when two or more people provide more than half of a person's support, but no one alone provides more than half. If you are considered to have provided more than half of a person's support under such an agreement, you can include medical expenses you pay, even if you cannot claim the person as a dependent.

Any medical expenses paid by others who joined you in the agreement cannot be included as medical expenses by anyone. However, you can include the entire unreimbursed amount you paid for medical expenses.

**Example.** You and your three brothers each provide one-fourth of your mother's total support. Under a multiple support agreement, you claim your mother as a dependent. You paid all of her medical expenses. Your brothers repaid you for three-fourths of these expenses. In figuring your medical expense deduction, you can include only one-fourth of your mother's medical expenses. Your brothers cannot include any part of the expenses. However, if you and your brothers share the nonmedical support items and you separately pay all of your mother's medical expenses, you can include the amount you paid for her medical expenses in your medical expenses.

**Decedent.** The survivor or personal representative of a decedent can choose to treat certain expenses paid by the decedent's estate for the decedent's medical care as paid by the decedent at the time the medical services were provided. The expenses must be paid within the one-year period beginning with the day after the date of death. If you are the survivor or personal representative making this choice, you must attach a statement to the decedent's Form 1040 (or the decedent's amended return, Form 1040X) saying that the expenses have not been and will not be claimed on the estate tax return.

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**TIP** You may be able to take a credit or exclusion for other expenses related to adoption. See Publication 968, Tax Benefits for Adoption, for more information.

**Child of divorced or separated parents.** If either parent can claim a child as a dependent under the rules for divorced or separated parents, each parent can include the medical expenses he or she pays for the child even if an exemption for the child is claimed by the other parent.
Qualified medical expenses paid before death by the decedent are not deductible if paid with a tax-free distribution from any medical savings account or Medicare+Choice savings account.

What if the decedent's return had been filed and the medical expenses were not included? Form 1040X can be filed for the year or years the expenses are treated as paid, unless the period for filing an amended return for that year has passed. Generally, an amended return must be filed within 3 years of the date the original return was filed, or within 2 years from the time the tax was paid, whichever date is later.

Example. John properly filed last year's income tax return. He died this year with unpaid medical expenses of $1,500 from last year and $2,000 from this year. His survivor or personal representative can file an amended return for last year claiming the $1,500 medical expenses. The $2,000 of medical expenses for this year can be included on this year's return, which will be the decedent's final return.

What if you pay medical expenses of a deceased spouse or dependent? If you paid medical expenses for your deceased spouse or dependent, include them as medical expenses on your Form 1040 in the year paid, whether they are paid before or after the decedent's death. The expenses can be included if the person was your spouse or dependent either at the time the medical services were provided or at the time you paid the expenses.

What Medical Expenses Are Deductible?

Following is a list of items that you can include in figuring your medical expense deduction. The items are listed in alphabetical order.

Abortion
You can include in medical expenses the amount you pay for a legal abortion.

Acupuncture
You can include in medical expenses the amount you pay for acupuncture.

Alcoholism
You can include in medical expenses amounts you pay for an inpatient's treatment at a therapeutic center for alcohol addiction. This includes meals and lodging provided by the center during treatment.

You can also include in medical expenses transportation costs you pay to attend meetings of an Alcoholics Anonymous Club in your community if your attendance is pursuant to medical advice that membership in the Alcoholics Anonymous Club is necessary for the treatment of a disease involving the excessive use of alcoholic liquors.

Ambulance
You can include in medical expenses amounts you pay for ambulance service.

Artificial Limb
You can include in medical expenses the amount you pay for an artificial limb.

Artificial Teeth
You can include in medical expenses the amount you pay for artificial teeth.

Autoette
See Wheelchair, later.

Birth Control Pills
You can include in medical expenses the amount you pay for birth control pills prescribed by a doctor.

Braille Books and Magazines
You can include in medical expenses the part of the cost of Braille books and magazines for use by a visually-impaired person that is more than the cost of regular printed editions.

Capital Expenses
You can include in medical expenses amounts you pay for special equipment installed in your home, or for improvements, if their main purpose is medical care for you, your spouse, or a dependent. The cost of permanent improvements that increase the value of the property may be partly included as a medical expense. The cost of the improvement is reduced by the increase in the value of the property. The difference is a medical expense. If the value of the property is not increased by the improvement, the entire cost is included as a medical expense.

Certain improvements made to accommodate your home to your disabled condition, or that of your spouse or your dependents who live with you, do not usually increase the value of the home and the cost can be included in full as medical expenses. These improvements include, but are not limited to, the following items.

- Constructing entrance or exit ramps for your home.
- Widening doorways at entrances or exits to your home.
- Widening or otherwise modifying hallways and interior doorways.
- Installing railings, support bars, or other modifications to bathrooms.
- Lowering or modifying kitchen cabinets and equipment.
- Moving or modifying electrical outlets and fixtures.
- Installing porch lifts and other forms of lifts but generally not elevators.
- Modifying fire alarms, smoke detectors, and other warning systems.
Modifying stairways.

Adding handrails or grab bars anywhere (whether or not in bathrooms).

Modifying hardware on doors.

Modifying areas in front of entrance and exit doorways.

Grading the ground to provide access to the residence.

Only reasonable costs to accommodate a home to a disabled condition are considered medical care. Additional costs for personal motives, such as for architectural or aesthetic reasons, are not medical expenses.

**Capital expense work chart.** Use the following chart to figure the amount of your capital expense to include in your medical expenses.

1. Enter amount you paid for the improvement. $ 
2. Enter increase in value of your home. If line 2 is equal to or more than line 1, you have no deduction. Stop here. If not, go on to line 3.
3. Subtract line 2 from line 1. This is your medical expense. $ 

**Example.** You have a heart ailment. On your doctor's advice, you install an elevator in your home so that you will not have to climb stairs. The elevator costs $8,000. An appraisal shows that the elevator increases the value of your home by $4,400. You figure your medical expense like this:

1. Enter amount you paid for the improvement. $8,000 
2. Enter increase in value of your home. If line 2 is equal to or more than line 1, you have no deduction. Stop here. If not, go on to line 3. 4,400 
3. Subtract line 2 from line 1. This is your medical expense. $3,600 

**Operation and upkeep.** Amounts you pay for operation and upkeep of a capital asset qualify as medical expenses, as long as the main reason for them is medical care. This is so even if none or only part of the original cost of the capital asset qualified as a medical care expense.

**Example.** If, in the previous example, the elevator increased the value of your home by $8,000, you would have no medical expense for the cost of the elevator. However, the cost of electricity to operate the elevator and any costs to maintain it are medical expenses as long as the medical reason for the elevator exists.

**Improvements to property rented by a person with a disability.** Amounts paid by a person with a disability to buy and install special plumbing fixtures, mainly for medical reasons, in a rented house are medical expenses.

**Example.** John has arthritis and a heart condition. He cannot climb stairs or get into a bathtub. On his doctor's advice, he installs a bathroom with a shower stall on the first floor of his two-story rented house. The landlord did not pay any of the cost of buying and installing the special plumbing and did not lower the rent. John can include in medical expenses the entire amount he paid.

**Car**

You can include in medical expenses the cost of special hand controls and other special equipment installed in a car for the use of a person with a disability.

**Special design.** You can include in medical expenses the difference in the cost of a car specially designed to hold a wheelchair and a regular car.

**Cost of operation.** You cannot deduct the cost of operating a specially equipped car, except as discussed under Transportation, later.

**Chiropractor**

You can include in medical expenses fees you pay to a chiropractor for medical care.

**Christian Science Practitioner**

You can include in medical expenses fees you pay to Christian Science practitioners for medical care.

**Contact Lenses**

You can include in medical expenses amounts you pay for contact lenses needed for medical reasons. You can also include the cost of equipment and materials required for using contact lenses, such as saline solution and enzyme cleaner. See also Eyeglasses and Laser Eye Surgery, later.

**Crutches**

You can include in medical expenses the amount you pay to buy or rent crutches.

**Dental Treatment**

You can include in medical expenses the amounts you pay for dental treatment. This includes fees paid to dentists for X-rays, fillings, braces, extractions, dentures, etc.

**Drug Addiction**

You can include in medical expenses amounts you pay for an inpatient’s treatment at a therapeutic center for drug addiction. This includes meals and lodging at the center during treatment.

**Drugs**

See Medicines, later.

**Eyeglasses**

You can include in medical expenses amounts you pay for eyeglasses and contact lenses needed for medical reasons. You can also include fees paid for eye examinations.
Fertility Enhancement
You can include in medical expenses the cost of the following procedures to overcome your inability to have children.

- Procedures such as in vitro fertilization (including temporary storage of eggs or sperm).
- Surgery, including an operation to reverse prior surgery that prevents you from having children.

Founder's Fee
See Lifetime Care—Advance Payments, later.

Guide Dog or Other Animal
You can include in medical expenses the cost of a guide dog or other animal to be used by a visually-impaired or hearing-impaired person. You can also include the cost of a dog or other animal trained to assist persons with other physical disabilities. Amounts you pay for the care of these specially trained animals are also medical expenses.

Health Institute
You can include in medical expenses fees you pay for treatment at a health institute only if the treatment is prescribed by a physician and the physician issues a statement that the treatment is necessary to alleviate a physical or mental defect or illness of the individual receiving the treatment.

Health Maintenance Organization (HMO)
You can include in medical expenses amounts you pay to entitle you, or your spouse (if filing a joint return), or a dependent to receive medical care from a health maintenance organization. These amounts are treated as medical insurance premiums. See Insurance Premiums, later.

Hearing Aids
You can include in medical expenses the cost of a hearing aid and the batteries you buy to operate it.

Home Care
See Nursing Services, later.

Hospital Services
You can include in medical expenses amounts you pay for the cost of inpatient care at a hospital or similar institution if the main reason for being there is to receive medical care. This includes amounts paid for meals and lodging. Also see Lodging, later.

Insurance Premiums
You can include in medical expenses insurance premiums you pay for policies that cover medical care. Policies can provide payment for:

- Hospitalization, surgical fees, X-rays, etc.,
- Prescription drugs,
- Replacement of lost or damaged contact lenses, or
- Membership in an association that gives cooperative or so-called “free-choice” medical service, or group hospitalization and clinical care.
- Qualified long-term care insurance contracts (subject to additional limitations). See Long-Term Care Contracts, Qualified in Publication 502.

You cannot deduct insurance premiums paid with pretax dollars because the premiums are not included in box 1 of your Form W–2.

If you have a policy that provides more than one kind of payment, you can include the premiums for the medical care part of the policy if the charge for the medical part is reasonable. The cost of the medical part must be separately stated in the insurance contract or given to you in a separate statement.

Employer-sponsored health insurance plan. Do not include in your medical and dental expenses on Schedule A (Form 1040) any insurance premiums paid by an employer-sponsored health insurance plan unless the premiums are included in box 1 of your Form W–2. Also, do not include on Schedule A (Form 1040) any other medical and dental expenses paid by the plan unless the amount paid is included in box 1 of your Form W–2.

Flexible spending arrangement. Contributions made by your employer to provide coverage for qualified long-term care services under a flexible spending or similar arrangement must be included in your income. This amount will be reported as wages in box 1 of your Form W–2.

Medicare A. If you are covered under social security (or if you are a government employee who paid Medicare tax), you are enrolled in Medicare A. The payroll tax paid for Medicare A is not a medical expense. If you are not covered under social security (or were not a government employee who paid Medicare tax), you can voluntarily enroll in Medicare A. In this situation the premiums paid for Medicare A can be included as a medical expense on your tax return.

Medicare B. Medicare B is a supplemental medical insurance. Premiums you pay for Medicare B are a medical expense. If you applied for it at age 65 or after you became disabled, you can deduct the monthly premiums you paid. If you were over age 65 or disabled when you first enrolled, check the information you received from the Social Security Administration to find out your premium.

Prepaid insurance premiums. Premiums you pay before you are age 65 for insurance for medical care for yourself, your spouse, or your dependents after you
reach age 65 are medical care expenses in the year paid if they are:

1) Payable in equal yearly installments, or more often, and
2) Payable for at least 10 years, or until you reach age 65 (but not for less than 5 years).

**Unused sick leave used to pay premiums.** You must include in gross income cash payments you receive at the time of retirement for unused sick leave. You must also include in gross income the value of unused sick leave that, at your option, your employer applies to the cost of your continuing participation in your employer's health plan after you retire. You can include this cost of continuing participation in the health plan as a medical expense.

If you participate in a health plan where your employer automatically applies the value of unused sick leave to the cost of your continuing participation in the health plan (and you do not have the option to receive cash), you do not include the value of the unused sick leave in gross income. You cannot include this cost of continuing participation in that health plan as a medical expense.

You cannot include premiums you pay for:

- Life insurance policies,
- Policies providing payment for loss of earnings,
- Policies for loss of life, limb, sight, etc.,
- Policies that pay you a guaranteed amount each week for a stated number of weeks if you are hospitalized for sickness or injury, or
- The part of your car insurance premiums that provides medical insurance coverage for all persons injured in or by your car because the part of the premium for you, your spouse, and your dependents is not stated separately from the part of the premium for medical care for others.

**Health insurance costs for self-employed persons.** If you were self-employed and had a net profit for the year, were a general partner (or a limited partner receiving guaranteed payments), or received wages from an S corporation in which you were a more than 2% shareholder (who is treated as a partner), you may be able to deduct, as an adjustment to income, up to 60% of the amount paid for health insurance on behalf of yourself, your spouse, and dependents. You take this deduction on Form 1040. If you itemize your deductions, include the remaining premiums with all other medical care expenses on Schedule A (Form 1040), subject to the 7.5% limit.

You may not take the deduction for any month in which you were eligible to participate in any subsidized health plan maintained by your employer or your spouse's employer.

If you qualify to take the deduction, use the **Self-Employed Health Insurance Deduction Worksheet** in the Form 1040 instructions to figure the amount you can deduct. But, if any of the following applies, do not use the worksheet:

- You had more than one source of income subject to self-employment tax.
- You file Form 2555, Foreign Earned Income, or Form 2555–EZ, Foreign Earned Income Exclusion.
- You are using amounts paid for qualified long-term care insurance to figure the deduction.

If you cannot use the worksheet in the Form 1040 instructions, use the worksheet in Publication 535, Business Expenses, to figure your deduction.

**Laboratory Fees**
You can include in medical expenses the amounts you pay for laboratory fees that are part of your medical care.

**Laser Eye Surgery**
You can include in medical expenses the amount you pay for surgery to improve vision, such as radial keratotomy or other laser eye surgery, if it is done primarily to promote the correct function of the eye.

**Lead-Based Paint Removal**
You can include in medical expenses the cost of removing lead-based paints from surfaces in your home to prevent a child who has or has had lead poisoning from eating the paint. These surfaces must be in poor repair (peeling or cracking) or within the child's reach. The cost of repainting the scraped area is not a medical expense.

If, instead of removing the paint, you cover the area with wallboard or paneling, treat these items as capital expenses. See Capital Expenses, earlier. Do not include the cost of painting the wallboard as a medical expense.

**Learning Disability**
You can include in medical expenses tuition fees you pay to a special school for a child who has severe learning disabilities caused by mental or physical impairments, including nervous system disorders. Your doctor must recommend that the child attend the school. See Schools and Education, Special, later.

You can also include tutoring fees you pay on your doctor's recommendation for the child's tutoring by a teacher who is specially trained and qualified to work with children who have severe learning disabilities.

**Legal Fees**
You can include in medical expenses legal fees you paid that are necessary to authorize treatment for mental illness. However, you cannot include in medical expenses fees for the management of a guardianship estate, fees for conducting the affairs of the person being treated, or other fees that are not necessary for medical care.
**Lifetime Care—Advance Payments**

You can include in medical expenses a part of a lifetime care fee or “founder’s fee” you pay either monthly or as a lump sum under an agreement with a retirement home. The part of the payment you include is the amount properly allocable to medical care. The agreement must require that you pay a specific fee as a condition for the home’s promise to provide lifetime care that includes medical care.

**Dependents with disabilities.** You can include in medical expenses advance payments to a private institution for lifetime care, treatment, and training of your physically or mentally impaired child upon your death or when you become unable to provide care. The payments must be a condition for the institution’s future acceptance of your child and must not be refundable.

**Payments for future medical care.** Generally, you are not allowed to include in medical expenses current payments for medical care (including medical insurance) to be provided substantially beyond the end of the year. This rule does not apply in situations where the future care is purchased in connection with obtaining lifetime care of the type described earlier.

**Lodging**

You can include in medical expenses the cost of meals and lodging at a hospital or similar institution if your main reason for being there is to receive medical care. See *Nursing Home*, later.

You may be able to include in medical expenses the cost of lodging not provided in a hospital or similar institution. You can include the cost of such lodging while away from home if you meet all of the following requirements.

1) The lodging is primarily for and essential to medical care.
2) The medical care is provided by a doctor in a licensed hospital or in a medical care facility related to, or the equivalent of, a licensed hospital.
3) The lodging is not lavish or extravagant under the circumstances.
4) There is no significant element of personal pleasure, recreation, or vacation in the travel away from home.

The amount you include in medical expenses for lodging cannot be more than $50 for each night for each person. Lodging is included for a person for whom transportation expenses are a medical expense because that person is traveling with the person receiving the medical care. For example, if a parent is traveling with a sick child, up to $100 per night can be included as a medical expense for lodging. Meals are not included.

**Do not include** the cost of your lodging while you are away from home for medical treatment if you do not receive that treatment from a doctor in a licensed hospital or in a medical care facility related to, or the equivalent of, a licensed hospital or if that lodging is not primarily for or essential to the medical care you are receiving.

**Long-Term Care Contracts, Qualified**

A qualified long-term care insurance is an insurance contract that provides only coverage of qualified long-term care services. The contract must:

1) Be guaranteed renewable,
2) Not provide for a cash surrender value or other money that can be paid, assigned, pledged, or borrowed,
3) Provide that refunds, other than refunds on the death of the insured or complete surrender or cancellation of the contract, and dividends under the contract must be used only to reduce future premiums or increase future benefits, and
4) Generally not pay or reimburse expenses incurred for services or items that would be reimbursed under Medicare, except where Medicare is a secondary payer, or the contract makes per diem or other periodic payments without regard to expenses.

**Qualified Long-Term Care Services**

Qualified long-term care services are:

1) Necessary diagnostic, preventative, therapeutic, curing, treating, mitigating, rehabilitative services, and maintenance and personal care services, and
2) Required by a chronically ill individual and provided pursuant to a plan of care prescribed by a licensed health care practitioner.

**Chronically ill individual.** You are chronically ill if you have been certified by a licensed health care practitioner within the previous 12 months as one of the following:

1) You are unable for at least 90 days, to perform at least two activities of daily living without substantial assistance from another individual, due to loss of functional capacity. Activities of daily living are eating, toileting, transferring, bathing, dressing, and continence, or
2) You require substantial supervision to be protected from threats to health and safety due to severe cognitive impairment.

**Periodic Payments Not Taxed**

You can generally exclude from gross income benefits you receive under a per diem type qualified long-term care insurance contract, subject to a limit of $190 a day ($69,540 a year) for 2000. The $190 is indexed for inflation.

**Itemized deductions.** If you itemize deductions, you can include the following as medical expenses on Schedule A (Form 1040).

1) Unreimbursed expenses for qualified long-term care services.
2) Qualified long-term care premiums up to the amounts shown below.
   a) Age 40 or under – $220.
   b) Age 41 to 50 – $410.
   c) Age 51 to 60 – $820.
   d) Age 61 to 70 – $2,200.
   e) Age 71 or over – $2,750.

TIP
The limit on premiums is for each person.

Meals
You can include in medical expenses the cost of meals at a hospital or similar institution if the main purpose for being there is to get medical care.

You cannot include in medical expenses the cost of meals that are not part of inpatient care.

Medical Conferences
You can include in medical expenses amounts paid for admission and transportation to a medical conference if the medical conference concerns the chronic illness of you, your spouse, or your dependent. The costs of the medical conference must be primarily for and necessary to the medical care of you, your spouse, or your dependent. You must spend the majority of your time at the conference attending sessions on medical information.

The cost of meals and lodging while attending the conference is not deductible as a medical expense.

Medical Information Plan
You can include in medical expenses amounts paid to a plan that keeps your medical information so that it can be retrieved from a computer data bank for your medical care.

Medical Services
You can include in medical expenses amounts you pay for legal medical services provided by:

- Physicians,
- Surgeons,
- Specialists, or
- Other medical practitioners.

Medicines
You can include in medical expenses amounts you pay for prescribed medicines and drugs. A prescribed drug is one that requires a prescription by a doctor for its use by an individual. You can also include amounts you pay for insulin. Except for insulin, you cannot include in medical expenses amounts you pay for a drug that is not prescribed.

Controlled substances. You cannot include in medical expenses amounts you pay for controlled substances (such as marijuana, laetrile, etc.), in violation of federal law.

Mentally Retarded, Special Home for
You can include in medical expenses the cost of keeping a mentally retarded person in a special home, not the home of a relative, on the recommendation of a psychiatrist to help the person adjust from life in a mental hospital to community living.

Nursing Home
You can include in medical expenses the cost of medical care in a nursing home or home for the aged for yourself, your spouse, or your dependents. This includes the cost of meals and lodging in the home if the main reason for being there is to get medical care.

Do not include the cost of meals and lodging if the reason for being in the home is personal. You can, however, include in medical expenses the part of the cost that is for medical or nursing care.

Nursing Services
You can include in medical expenses wages and other amounts you pay for nursing services. 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.

Generally, only the amount spent for nursing services is a medical expense. If the attendant also provides personal and household services, these amounts must be divided between the time spent performing household and personal services and the time spent for nursing services. However, certain maintenance or personal care services provided for qualified long-term care can be included in medical expenses. See Long-Term Care Contracts, Qualified, earlier. Additionally, certain expenses for household services or for the care of a qualifying individual incurred to allow you to work may qualify for the child and dependent care credit. See Publication 503, Child and Dependent Care Expenses.

You can also include in medical expenses part of the amount you pay for that attendant's meals. Divide the food expense among the household members to find the cost of the attendant's food. Then apportion that cost in the same manner, as in the preceding paragraph. If you had to pay additional amounts for household upkeep because of the attendant, you can include the extra amounts with your medical expenses. This includes extra rent or utilities you pay because you moved to a larger apartment to provide space for the attendant.

Employment taxes. You can include as a medical expense social security tax, FUTA, Medicare tax, and state employment taxes you pay for a nurse, attendant,
or other person who provides medical care. For information on employment tax responsibilities of household employers, see Publication 926, Household Employer's Tax Guide.

Healthy baby. You cannot include the cost of nursing services for a normal, healthy baby. But you may be able to take a credit for child care expenses. See Publication 503 for more information. You also may be able to take the child tax credit. See the instructions in your tax package.

Operations
You can include in medical expenses amounts you pay for legal operations that are not for unnecessary cosmetic surgery. See Cosmetic Surgery under What Expenses Are Not Deductible, later.

Optometrist
See Eyeglasses, earlier.

Organ Donors
See Transplants, later.

Osteopath
You can include in medical expenses amounts you pay to an osteopath for medical care.

Oxygen
You can include in medical expenses amounts you pay for oxygen and oxygen equipment to relieve breathing problems caused by a medical condition.

Prosthesis
See Artificial Limb, earlier.

Psychiatric Care
You can include in medical expenses amounts you pay for psychiatric care. This includes the cost of supporting a mentally ill dependent at a specially equipped medical center where the dependent receives medical care. See Psychoanalysis, next, and Transportation, later.

Psychoanalysis
You can include in medical expenses payments for psychoanalysis. However, you cannot include payments for psychoanalysis that you must get as a part of your training to be a psychoanalyst.

Psychologist
You can include in medical expenses amounts you pay to a psychologist for medical care.

Schools and Education, Special
You can include in medical expenses payments to a special school for a mentally impaired or physically disabled person if the main reason for using the school is its resources for relieving the disability. You can include, for example, the cost of:

- Teaching Braille to a visually impaired child,
- Teaching lip reading to a hearing impaired child, or
- Giving remedial language training to correct a condition caused by a birth defect.

The cost of meals, lodging, and ordinary education supplied by a special school can be included in medical expenses only if the main reason for the child's being there is the resources the school has for relieving the mental or physical disability.

You cannot include in medical expenses the cost of sending a problem child to a special school for benefits the child may get from the course of study and the disciplinary methods.

Sterilization
You can include in medical expenses the cost of a legal sterilization (a legally performed operation to make a person unable to have children).

Stop-Smoking Programs
You can include in medical expenses amounts you pay for a program to stop smoking. If you paid for a stop-smoking program in 1997 or 1998, you may be able to file an amended return on Form 1040X to include in medical expenses the amounts you paid for that stop-smoking program. However, you cannot include in medical expenses amounts you pay for drugs that do not require a prescription, such as nicotine gum or patches, that are designed to help stop smoking.

Surgery
See Operations, earlier.

Telephone
You can include in medical expenses the cost and repair of special telephone equipment that lets a hearing-impaired person communicate over a regular telephone.

Television
You can include in medical expenses the cost of equipment that displays the audio part of television programs as subtitles for hearing-impaired persons. This may be the cost of an adapter that attaches to a regular set. It also may be the cost of a specially equipped television that exceeds the cost of the same model regular television set.

Therapy
You can include in medical expenses amounts you pay for therapy you receive as medical treatment. “Patterning” exercises. You can include in medical expenses amounts you pay to an individual for giving “patterning” exercises to a mentally retarded child. These exercises consist mainly of coordinated physical manipulation of the child's arms and legs to imitate crawling and other normal movements.
Transplants
You can include in medical expenses payments you make for surgical, hospital, laboratory, and transportation expenses for a donor or a possible donor of a kidney or other organ. You cannot include expenses if you did not pay for them.

A donor or possible donor can include surgical, hospital, laboratory, and transportation expenses in medical expenses only if he or she pays for them.

Transportation
You can include in medical expenses amounts paid for transportation primarily for, and essential to, medical care.

You can include:

- Bus, taxi, train, or plane fares, or ambulance service,
- Transportation expenses of a parent who must go with a child who needs medical care,
- Transportation expenses of a nurse or other person who can give injections, medications, or other treatment required by a patient who is traveling to get medical care and is unable to travel alone, and
- Transportation expenses for regular visits to see a mentally ill dependent, if these visits are recommended as a part of treatment.

You cannot include:

- Transportation expenses to and from work, even if your condition requires an unusual means of transportation, or
- Transportation expenses if, for nonmedical reasons only, you choose to travel to another city, such as a resort area, for an operation or other medical care prescribed by your doctor.

Car expenses. You can include out-of-pocket expenses for your car, such as gas and oil, when you use your car for medical reasons. You cannot include depreciation, insurance, general repair, or maintenance expenses.

If you do not want to use your actual expenses, you can use a standard rate of 10 cents a mile for use of your car for medical reasons.

You can also include the cost of parking fees and tolls. You can add these fees and tolls to your medical expenses whether you use actual expenses or use the standard mileage rate.

Example. Bill Jones drove 2,800 miles for medical reasons during the year. He spent $200 for gas, $5 for oil, and $50 for tolls and parking. He wants to figure the amount he can include in medical expenses both ways to see which gives him the greater deduction.

He figures the actual expenses first. He adds the $200 for gas, the $5 for oil, and the $50 for tolls and parking for a total of $255.

He then figures the standard mileage amount. He multiplies the 2,800 miles by 10 cents a mile for a total of $280. He then adds the $50 tolls and parking for a total of $330.

Bill includes the $330 of car expenses with his other medical expenses for the year because the $330 is more than the $255 he figured using actual expenses.

Trips
You can include in medical expenses amounts you pay for transportation to another city if the trip is primarily for, and essential to, receiving medical services. You may be able to include up to $50 per night for lodging. See Lodging, earlier.

You cannot include in medical expenses a trip or vacation taken merely for a change in environment, improvement of morale, or general improvement of health, even if you make the trip on the advice of a doctor.

Tuition
You can include in medical expenses charges for medical care included in the tuition of a college or private school, if the charges are separately stated in the bill or given to you by the school. See Learning Disability, earlier, and Schools and Education, Special, earlier.

Vasectomy
You can include in medical expenses the amount you pay for a vasectomy.

Weight-Loss Program
You can include in medical expenses the cost of a weight-loss program undertaken at a physician’s direction to treat an existing disease (such as heart disease). But you cannot include the cost of a weight-loss program if the purpose of the weight control is to maintain your general good health.

Wheelchair
You can include in medical expenses amounts you pay for an autoette or a wheelchair used mainly for the relief of sickness or disability, and not just to provide transportation to and from work. The cost of operating and keeping up the autoette or wheelchair is also a medical expense.
X-ray Fees  
You can include in medical expenses amounts you pay for X-rays that you get for medical reasons.

What Expenses Are Not Deductible?  
Following is a list of some items that you cannot include in figuring your medical expense deduction. The items are listed in alphabetical order.

Baby Sitting, Child Care, and Nursing Services for a Normal, Healthy Baby  
You cannot include in medical expenses amounts you pay for the care of your children even if the expenses enable you to get medical or dental treatment. Also, any expense allowed as a child care credit cannot be treated as an expense paid for medical care. See also Healthy baby under Nursing Services, earlier.

Controlled Substances  
You cannot include in medical expenses amounts you pay for controlled substances (such as marijuana, laetrile, etc.), in violation of federal law.

Cosmetic Surgery  
Generally, you cannot include in medical expenses the amount you pay for unnecessary cosmetic surgery. This applies to any procedure that is directed at improving the patient's appearance and does not meaningfully promote the proper function of the body or prevent or treat illness or disease. Procedures such as face lifts, hair transplants, hair removal (electrolysis), and liposuction generally are not deductible.

You can include in medical expenses the amount you pay for cosmetic surgery if it is necessary to improve a deformity arising from, or directly related to, a congenital abnormality, a personal injury resulting from an accident or trauma, or a disfiguring disease.

Dancing Lessons  
You cannot include the cost of dancing lessons, swimming lessons, etc., even if they are recommended by a doctor, if they are only for the improvement of general health.

Diaper Service  
You cannot include in medical expenses the amount you pay for diapers or diaper services, unless they are needed to relieve the effects of a particular disease.

Electrolysis or Hair Removal  
See Cosmetic Surgery, earlier.

Funeral Expenses  
You cannot include in medical expenses amounts you pay for funerals. However, funeral expenses may be deductible on the decedent's federal estate tax return.

Hair Transplant  
See Cosmetic Surgery, earlier.

Health Club Dues  
You cannot include in medical expenses health club dues, YMCA dues, or amounts paid for steam baths for your general health or to relieve physical or mental discomfort not related to a particular medical condition.

You cannot include in medical expenses the cost of membership in any club organized for business, pleasure, recreation, or other social purpose.

Household Help  
You cannot include in medical expenses the cost of household help, even if such help is recommended by a doctor. This is a personal expense that is not deductible. However, you may be able to include certain expenses paid to a person providing nursing-type services. Also, certain maintenance or personal care services provided for qualified long-term care can be included in medical expenses.

Illegal Operations and Treatments  
You cannot include in medical expenses amounts you pay for illegal operations, treatments, or controlled substances whether rendered or prescribed by licensed or unlicensed practitioners.

Insurance Premiums for Certain Types of Policies  
See Insurance Premiums under What Medical Expenses Are Deductible, earlier.

Maternity Clothes  
You cannot include in medical expenses amounts you pay for maternity clothes.

Medical Savings Accounts  
You cannot deduct as a qualified medical expense amounts you contribute to a medical savings account (MSA). You cannot deduct qualified medical expenses as an itemized deduction if you pay for them with a tax-free distribution from your MSA. You also cannot use other funds equal to the amount of the distribution and claim a deduction. For more information on MSAs, see Publication 969, Medical Savings Accounts (MSAs).
Nonprescription Drugs and Medicines
Except for insulin, you cannot include in medical expenses amounts you pay for a drug that is not prescribed.

Nutritional Supplements
You cannot include in medical expenses the cost of nutritional supplements, vitamins, herbal supplements, "natural medicines", etc., unless you can only obtain them legally with a physician's prescription.

Personal Use Items
You cannot include in medical expenses an item ordinarily used for personal, living, or family purposes unless it is used primarily to prevent or alleviate a physical or mental defect or illness. For example, the cost of a wig purchased upon the advice of a physician for the mental health of a patient who has lost all of his or her hair from disease can be included with medical expenses.

Where an item purchased in a special form primarily to alleviate a physical defect is one that in normal form is ordinarily used for personal, living, or family purposes, the excess of the cost of the special form over the cost of the normal form is a medical expense (see Braille Books and Magazines under What Medical Expenses Are Deductible, earlier).

Swimming Lessons
See Dancing Lessons, earlier.

Weight-Loss Program
You cannot include the cost of a weight-loss program in medical expenses if the purpose of the weight control is to maintain your general good health. But you can include the cost of a weight-loss program undertaken at a physician's direction to treat an existing disease (such as heart disease).

How Do You Deduct Impairment-Related Work Expenses?
If you are disabled and have expenses which are necessary for you to be able to work (impairment-related work expenses), take a business deduction for these expenses, rather than a medical deduction. You are disabled if you have:

• A physical or mental disability (for example, blindness or deafness) that functionally limits your being employed, or
• A physical or mental impairment (for example, a sight or hearing impairment) that substantially limits one or more of your major life activities, such as performing manual tasks, walking, speaking, breathing, learning, or working.

Deduct impairment-related expenses as business expenses if they are:

• Necessary for you to do your work satisfactorily,
• For goods and services not required or used, other than incidentally, in your personal activities, and
• Not specifically covered under other income tax laws.

If you are self-employed, deduct the business expenses on the appropriate form (Schedule C, C–EZ, E, or F) used to report your business income and expenses. If you are an employee with impairment-related work expenses, complete Form 2106, Employee Business Expenses, or Form 2106–EZ, Unreimbursed Employee Business Expenses. Your impairment-related work expenses are not subject to the 2%-of-adjusted-gross-income limit that applies to other employee business expenses.

Example. You are blind. You must use a reader to do your work. You use the reader both during your regular working hours at your place of work and outside your regular working hours away from your place of work. The reader's services are only for your work. You can deduct your expenses for the reader as business expenses.

How Do You Treat Reimbursements?
You can deduct as medical expenses only those amounts paid during the taxable year for which you received no insurance or other reimbursement.

Insurance Reimbursement
You must reduce your total medical expenses for the year by all reimbursements for medical expenses that you receive from insurance or other sources during the year. This includes payments from Medicare.

Generally, you do not reduce medical expenses by payments you receive for:

• Permanent loss or loss of use of a member or function of the body (loss of limb, sight, hearing, etc.) or disfigurement that is based on the nature of the injury without regard to the amount of time lost from work,
• Loss of earnings, or
• Damages for personal injury or sickness.

You must, however, reduce your medical expenses by any part of these payments that is designated for medical costs. See How Do You Figure Your Deduction, later.

What If Your Insurance Reimbursement Is More Than Your Medical Expenses?
If you are reimbursed more than your medical expenses, you may have to include the excess in income.
Prémisses paid by you. If you pay the entire premium for your medical insurance or all the costs of a plan similar to medical insurance, and your insurance payments or other reimbursements are more than your total medical expenses for the year, you have excess reimbursement. Generally, you do not include the excess reimbursement in your gross income. However, gross income does include total payments in excess of the per diem limit for qualified long-term care insurance. See Periodic Payments Not Taxed, under What Medical Expenses Are Deductible, earlier, for the per diem amounts.

Figure 1. Is Your Excess Medical Reimbursement Taxable?

<table>
<thead>
<tr>
<th>Was any part of your premiums paid by your employer?</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Yes</strong></td>
<td><strong>NONE of the excess reimbursement is taxable.</strong></td>
</tr>
<tr>
<td>Were your employer’s contributions to your premiums included in your income?</td>
<td>No</td>
</tr>
<tr>
<td><strong>Yes</strong></td>
<td><strong>ALL of the excess reimbursement is taxable.</strong></td>
</tr>
<tr>
<td>Did you pay any part of the premiums?</td>
<td>No</td>
</tr>
<tr>
<td><strong>Yes</strong></td>
<td><strong>PART of the excess reimbursement is taxable.</strong>*</td>
</tr>
</tbody>
</table>

*See Premiums paid by you and your employer in this publication.

Prémisses paid by you and your employer. If both you and your employer contribute to your medical insurance plan and your employer’s contributions are not included in your gross income, you must include in your gross income the part of your excess reimbursement that is from your employer’s contribution.

**Example.** You are covered by your employer’s health insurance policy. The annual premium is $1,200. Your employer pays $300, and the balance of $900 is deducted from your wages. You also paid the entire premium ($250) for a personal health insurance policy.

During the year, you paid medical expenses of $3,600. In the same year, you were reimbursed $2,500 under your employer’s policy and $1,500 under your personal policy.

You figure the part of the excess reimbursement that is from your employer’s contribution like this:

**Step 1.**

| Reimbursement from employer’s policy | $2,500 |
| Reimbursement from your policy | $1,500 |
| **Total reimbursement** | **$4,000** |
| Amount of medical expenses from your policy [([$1,500 ÷ $4,000] x $3,600 total medical expenses)] | $1,350 |
| Amount of medical expenses from your employer’s policy [([$2,500 ÷ $4,000] x $3,600 total medical expenses)] | $2,250 |
| **Total medical expenses** | **$3,600** |
| **Excess reimbursement from your employer’s policy ($2,500 − $2,250)** | **$250** |

**Step 2.**

Because both you and your employer contributed to the cost of this policy, you must divide the cost to determine the excess reimbursement from your employer’s contribution.

| Employer’s contribution in relation to the annual cost of the policy | ($300 ÷ $1,200) | 25% |
| **Amount to report as other income on line 21, Form 1040 (25% × $250)** | **$62.50** |

What If You Receive Insurance Reimbursement in a Later Year?

If you are reimbursed in a later year for medical expenses you deducted in an earlier year, you must report the reimbursement as income up to the amount you previously deducted as medical expenses. However, do not report as income the amount of reimbursement you received up to the amount of your medical deductions that did not reduce your tax for the earlier year.
Example. You are single. Your adjusted gross income last year was $20,000. During that year you paid medical insurance premiums of $500 and other medical expenses of $1,900. You deducted $900, figured like this:

<table>
<thead>
<tr>
<th>Step 1.</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical expenses</td>
<td>$1,900</td>
</tr>
<tr>
<td>Insurance premiums</td>
<td>500</td>
</tr>
<tr>
<td>Total</td>
<td>$2,400</td>
</tr>
<tr>
<td>Minus 7.5% (.075) of adjusted gross income</td>
<td>1,500</td>
</tr>
<tr>
<td><strong>Total medical expense deduction</strong></td>
<td><strong>$900</strong></td>
</tr>
</tbody>
</table>

Step 2.
Last year, your itemized deductions, including medical expenses, were $5,100. This year, you collected $600 from your insurance policy for part of last year's medical expenses. If you had collected it last year, your deduction for medical expenses would have been only $300, figured like this:

| Medical expenses | $1,900 |
| Insurance premiums | 500 |
| Total | $2,400 |
| Minus: insurance payments | 600 |
| Balance | $1,800 |
| Minus: 7.5% (.075) of adjusted gross income | 1,500 |
| **Total medical expense deduction** | **$300** |

Step 3.
Your $900 medical expense deduction last year reduced your income tax in that year. You must include the $600 of insurance reimbursement in income this year. Report the $600 on line 21 of Form 1040.

For more information about the recovery of an amount that you claimed as an itemized deduction in an earlier year, see Recoveries in Publication 525.

What If You Are Reimbursed for Medical Expenses You Did Not Deduct?
If you did not deduct a medical expense in the year you paid it because your medical expenses were not more than 7.5% of your adjusted gross income, or because you did not itemize deductions, do not include in income the reimbursement for this expense that you receive in a later year. However, if the reimbursement is more than the expense, see What If Your Insurance Reimbursement Is More Than Your Medical Expenses, earlier.

Example. Last year, you had $500 of medical expenses. You cannot deduct the $500 because it is less than 7.5% of your adjusted gross income. If, in a later year, you are reimbursed for any of the $500 of medical expenses, you do not include that amount in your gross income.

How Do You Report the Deduction on Your Tax Return?
Once you have determined which medical care expenses you can include when figuring your deduction, you must report the deduction on your tax return.

What Tax Form Do You Use?
You report your medical expense deduction on Schedule A, Form 1040. You cannot claim medical expenses on Form 1040A or Form 1040EZ. An example of a filled-in medical and dental expense part of Schedule A is shown on page 17.

How Do You Figure Your Deduction?
To figure your medical and dental expense deduction, complete lines 1–4 of Schedule A, Form 1040, as follows:

Line 1. Enter the amount you paid for medical expenses after reducing the amount by payments you received from insurance and other sources.

Line 2. Enter your adjusted gross income from Form 1040, line 34.

Line 3. Multiply the amount on line 2 (adjusted gross income) by 7.5% (.075) and enter the result.

Line 4. If line 3 is more than line 1, enter zero. Otherwise, subtract the amount on line 3 from the amount on line 1. This is your deduction for medical and dental expenses.

Example. Bill and Helen Jones belong to a group medical plan and part of their insurance is paid by Bill's employer. They file a joint return, and their adjusted gross income is $33,004. The following medical expenses Bill and Helen paid this year have been reduced by payments they received from the insurance company.

1) For themselves, Bill and Helen paid $375 for prescription medicines and drugs, $337 for hospital bills, $439 for doctor bills, $295 for hospitalization insurance, $380 for medical and surgical insurance, and $33 for transportation for medical treatment, which totals $1,859.

2) For Grace Taylor (Helen's dependent mother), they paid $300 for doctors, $300 for insulin, and $175 for eyeglasses, which totals $775.

3) For Betty Jones (Bill's dependent sister), they paid $450 for doctors and $350 for prescription medicines and drugs, which totals $800.

Bill and Helen add all their medical and dental expenses together ($1,859 + $775 + $800 = $3,434). They figure their deduction on the medical and dental expenses as follows:
expenses part of Schedule A, Form 1040, as shown on the next page.

Recordkeeping. For each medical expense, you must keep a record of the name and address of each person you paid, and the amount and date of the payment.

When requested by the IRS, you must be able to substantiate your medical deduction with a statement or itemized invoice from the person or entity you paid showing the nature of the expense, for whom it was incurred, the amount paid, the date of payment, and any other information the IRS may deem necessary. Do not send these records with your return.

Sale of Medical Property

You may have a taxable gain if you sell medical equipment or property, the cost of which you deducted as a medical expense on your tax return for a previous year. The taxable gain is the amount of the selling price that is more than the equipment’s adjusted basis. The adjusted basis is the portion of the equipment’s cost that was not deductible because of the 7.5% limit (5% for 1983–1986 and 3% before 1983) used to compute the medical deduction. Use the formula below (with amounts from the return on which the cost of the equipment was deducted) to figure the adjusted basis.

\[
\text{Adjusted Basis} = \frac{\text{Cost of Equipment}}{\text{Total Medical Expenses}} \times \text{Adjusted Gross Income}
\]

If your allowable itemized deductions were more than your adjusted gross income for the year the cost of the equipment was deducted, the adjusted basis of the equipment is increased by a portion of the surplus itemized deductions. Use the formula below to figure the increase.

\[
\text{Increase} = \frac{\text{Cost of Equipment} - \text{Adjusted Basis}}{\text{Total Itemized Deductions}} \times \text{Surplus Itemized Deductions}
\]

Add the increase to the adjusted basis. The result is the new adjusted basis for purposes of computing the taxable gain. See chapter 3 in Publication 544, Sales and Other Dispositions of Assets, for information on the tax treatment of the gain.

Example of sale of medical property. You have a heart condition and difficulty breathing. Your doctor prescribed oxygen equipment to help you breathe. Last year, you bought the oxygen equipment for $3,000. You itemized deductions and included it in your medical expense deduction.

Last year you also paid $750 for deductible medical services and $6,400 for other itemized deductions. Your adjusted gross income was $5,000.

Taking into account the 7.5% limit on medical expenses, your allowable itemized deductions totaled $9,775, figured as follows:

<table>
<thead>
<tr>
<th>Allowable itemized deductions</th>
<th>$9,775</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oxygen equipment</td>
<td>$3,000</td>
</tr>
<tr>
<td>Medical services</td>
<td>750</td>
</tr>
<tr>
<td>Total medical expenses</td>
<td>$3,750</td>
</tr>
<tr>
<td>Limit (7.5% of adjusted gross income of $5,000)</td>
<td>–375</td>
</tr>
<tr>
<td>Allowable medical expense deduction</td>
<td>$3,375</td>
</tr>
<tr>
<td>Other itemized deductions</td>
<td>6,400</td>
</tr>
<tr>
<td>Allowable itemized deductions</td>
<td>$9,775</td>
</tr>
</tbody>
</table>

There was a $4,775 surplus of allowable itemized deductions over adjusted gross income ($9,775 – $5,000 = $4,775).

Allocating the nondeductible limit. To determine the part of the 7.5% limit that is allocable to the oxygen equipment, multiply the limit, $375, by the ratio of cost of the equipment, $3,000, to the total medical expenses, $3,750 ($375 × ($3,000 ÷ $3,750) = $300). Your basis in the equipment is this $300 portion of the cost of the equipment that is nondeductible because of the 7.5% limit.

Allocating surplus deductions. To determine the part of the surplus itemized deductions that is allocable to the oxygen equipment, multiply the total available surplus deductions, $4,775, by the ratio of the deductible portion of the amount paid for the oxygen equipment, $2,700 ($3,000 cost of equipment minus $300 attributable to the 7.5% limit) to the total available deductions, $9,775. Your adjusted basis in the oxygen equipment includes this $1,319 ($4,775 × ($2,700 ÷ $9,775) = $1,319). This amount is the portion of surplus deductions allocable to the oxygen equipment. Your total adjusted basis in the equipment is $1,619 ($300 + $1,319).

Determining gain. This year, you sold the oxygen equipment for $2,000. You realized a gain of $381 ($2,000 – $1,619). This amount represents the recovery of an amount previously deducted for federal income tax purposes and is taxable as ordinary income.

Settlement of Damage Suit

If you receive an amount in settlement of a personal injury suit, the part that is for medical expenses deducted in an earlier year is included in income in the later year if your medical deduction in the earlier year reduced your income tax in that year. See What If You Receive Insurance Reimbursement in a Later Year, discussed earlier.

Future medical expenses. If you receive an amount in settlement of a damage suit for personal injuries that is properly allocable or determined to be for future medical expenses, you must reduce any medical expenses for these injuries until the amount you received has been completely used.
Schedule A—Itemized Deductions
(Schedule B is on back)

<table>
<thead>
<tr>
<th>Name(s) shown on Form 1040</th>
<th>Your social security number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bill and Helen Jones</td>
<td>000 : 00 : 0000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Medical and Dental Expenses</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>4</td>
<td>4</td>
</tr>
</tbody>
</table>

How To Get Tax Help

You can get help with unresolved tax issues, order free publications and forms, ask tax questions, and get more information from the IRS in several ways. By selecting the method that is best for you, you will have quick and easy access to tax help.

Contacting your Taxpayer Advocate. If you have attempted to deal with an IRS problem unsuccessfully, you should contact your Taxpayer Advocate.

The Taxpayer Advocate represents your interests and concerns within the IRS by protecting your rights and resolving problems that have not been fixed through normal channels. While Taxpayer Advocates cannot change the tax law or make a technical tax decision, they can clear up problems that resulted from previous contacts and ensure that your case is given a complete and impartial review.

To contact your Taxpayer Advocate:

- Call the Taxpayer Advocate at 1–877–777–4778.
- Call the IRS at 1–800–829–1040.
- Call, write, or fax the Taxpayer Advocate office in your area.
- Call 1–800–829–4059 if you are a TTY/TDD user.

For more information, see Publication 1546, The Taxpayer Advocate Service of the IRS.

Free tax services. To find out what services are available, get Publication 910, Guide to Free Tax Services. It contains a list of free tax publications and an index of tax topics. It also describes other free tax information services, including tax education and assistance programs and a list of TeleTax topics.

Personal computer. With your personal computer and modem, you can access the IRS on the Internet at www.irs.gov. While visiting our web site, you can select:

- Frequently Asked Tax Questions (located under Taxpayer Help & Ed) to find answers to questions you may have.
- Forms & Pubs to download forms and publications or search for forms and publications by topic or keyword.

- Fill-in Forms (located under Forms & Pubs) to enter information while the form is displayed and then print the completed form.
- Tax Info For You to view Internal Revenue Bulletins published in the last few years.
- Tax Regs in English to search regulations and the Internal Revenue Code (under United States Code (USC)).
- Digital Dispatch and IRS Local News Net (both located under Tax Info For Business) to receive our electronic newsletters on hot tax issues and news.
- Small Business Corner (located under Tax Info For Business) to get information on starting and operating a small business.

You can also reach us with your computer using File Transfer Protocol at ftp.irs.gov.

TaxFax Service. Using the phone attached to your fax machine, you can receive forms and instructions by calling 703–368–9694. Follow the directions from the prompts. When you order forms, enter the catalog number for the form you need. The items you request will be faxed to you.

Phone. Many services are available by phone.

- Ordering forms, instructions, and publications. Call 1–800–829–3676 to order current and prior year forms, instructions, and publications.
- Asking tax questions. Call the IRS with your tax questions at 1–800–829–1040.
- TTY/TDD equipment. If you have access to TTY/TDD equipment, call 1–800–829–4059 to ask tax questions or to order forms and publications.
- TeleTax topics. Call 1–800–829–4477 to listen to pre-recorded messages covering various tax topics.

Evaluating the quality of our telephone services. To ensure that IRS representatives give accurate, courteous, and professional answers, we evaluate the quality of our telephone services in several ways.
A second IRS representative sometimes monitors live telephone calls. That person only evaluates the IRS assistor and does not keep a record of any taxpayer’s name or tax identification number.

We sometimes record telephone calls to evaluate IRS assistors objectively. We hold these recordings no longer than one week and use them only to measure the quality of assistance.

We value our customers’ opinions. Throughout this year, we will be surveying our customers for their opinions on our service.

Walk-in. You can walk in to many post offices, libraries, and IRS offices to pick up certain forms, instructions, and publications. Also, some libraries and IRS offices have:

- An extensive collection of products available to print from a CD-ROM or photocopy from reproducible proofs.
- The Internal Revenue Code, regulations, Internal Revenue Bulletins, and Cumulative Bulletins available for research purposes.

Mail. You can send your order for forms, instructions, and publications to the Distribution Center nearest to you and receive a response within 10 workdays after your request is received. Find the address that applies to your part of the country.

- Western part of U.S.:

Mail: Western Area Distribution Center
Rancho Cordova, CA 95743–0001

Central part of U.S.:
Central Area Distribution Center
P.O. Box 8903
Bloomington, IL 61702–8903

Eastern part of U.S. and foreign addresses:
Eastern Area Distribution Center
P.O. Box 85074
Richmond, VA 23261–5074

CD-ROM. You can order IRS Publication 1796, Federal Tax Products on CD-ROM, and obtain:

- Current tax forms, instructions, and publications.
- Prior-year tax forms, instructions, and publications.
- Popular tax forms which may be filled in electronically, printed out for submission, and saved for recordkeeping.
- Internal Revenue Bulletins.

The CD-ROM can be purchased from National Technical Information Service (NTIS) by calling 1–877–233–6767 or on the Internet at www.irs.gov/cdorders. The first release is available in mid-December and the final release is available in late January.

IRS Publication 3207, The Business Resource Guide, is an interactive CD-ROM that contains information important to small businesses. It is available in mid-February. You can get one free copy by calling 1–800–829–3676.
Index

A
Abortion ......................... 4
Acupuncture ....................... 4
Adopted child medical expense 3
AGI limitation ..................... 2
Alcoholism ........................ 4
Ambulance ........................ 4
Artificial limb ..................... 4
Artificial teeth ..................... 4
Assistance (See Tax help)
Autoette (See Wheelchair)

B
Baby sitting ...................... 12
Birth control pills ................ 4
Braille books and magazines .. 4

C
Capital expenses ................ 4
Car .................................... 5
Car expenses:
  Medical expense ............. 11
Child care ......................... 12
Chiropractor ....................... 5
Christian Science practitioner . 5
Chronically ill ..................... 8
Community property ............. 2
Contact lenses ................... 5
Controlled substance ......... 9, 12
Cosmetic surgery .............. 12
Crutches ........................... 5

D
Dancing lessons .................. 12
Decedent medical expenses 2, 3
Dental treatment .............. 5
Dependent's medical expenses 3
Diaper service ................... 12
Drug addiction ................... 5
Drugs (See Medicines)

E
Electrolysis (See Cosmetic surgery)
Employer-sponsored health insurance plan ........ 6
Employment taxes .............. 9
Eyeglasses ........................ 5

F
Fertility enhancement ........ 6
Flexible spending arrangement 6
Founder's fee ...................... 6
Free tax services ............... 17
Funeral expenses ............. 12

G
Guide dog .......................... 6

H
Hair removal (See Cosmetic surgery)
Hair transplant (See Cosmetic surgery)
Health club dues ............... 12
Health institute ................ 6
Health maintenance organization (HMO) ......... 6
Hearing aid ....................... 6
Home care (See Nursing services)
Hospital services (See also Lodging) ............ 6
Household help ................ 12
How to figure your deduction 15

I
Illegal operations and treatments 12
Impairment-related expenses 13
Insurance premiums:
  Long-term care ................ 6
Insurance reimbursement 13, 15
Itemized deductions ........... 8

L
Laboratory fees ................... 7
Lead-based paint removal ..... 7
Learning disability ............ 7
Legal fees ........................ 7
Lifetime care ..................... 8
Lodging ............................ 8
Long-term care contracts .... 8

M
Maternity clothes .............. 12
Meals ................................ 9
Medical information plan ...... 9
Medical savings accounts ..... 12
Medicare ........................... 6
Medicines ........................ 9
Mentally retarded, home for ... 9
More information (See Tax help)

N
Nursing home .................... 9
Nursing services (See also Long-term care contracts) ........ 9, 12
Nutritional supplements .... 13

O
Operations ......................... 10

P
Parking fees and tolls:
  Medical .......................... 11
Patterning exercises .......... 10
Personal use items .............. 3
Prosthesis (See Artificial limb)
Psychiatric care (See also Psychoanalysis) .......... 10
Psychoanalysis .................. 10
Psychologist ....................... 10
Publications (See Tax help)

S
Sale of medical property ...... 16
Schools and education,
special ............................ 10
Self-employed persons ...... 7
Sick leave ......................... 7
Spouse's medical expenses ... 3
Sterilization ....................... 10
Stop-smoking program ...... 10
Surgery (See Operations)
Swimming lessons (See Dancing lessons)

T
Tax form .......................... 2
Form 1040X ........................ 2
Tax help ............................ 17
Taxpayer Advocate ............ 17
Telephone ........................ 10
Television ........................ 10
Therapy ........................... 10
Transplants ....................... 11
Transportation ................... 11
Trips (See also Lodging) .... 11
TTY/TDD information .......... 17
Tuition .............................. 11

V
Vasectomy .......................... 11

W
Weight-loss program .......... 11, 13
Wheelchair ......................... 11

X
X-ray fees ......................... 12

Optometrist (See Eyeglasses)
Organ donors (See Transplants)
Osteopath ......................... 10
Oxygen .............................. 10
Tax Publications for Individual Taxpayers

General Guides
1 Your Rights as a Taxpayer
17 Your Federal Income Tax (For Individuals)
334 Tax Guide for Small Business (For Individuals Who Use Schedule C or C-EZ)
509 Tax Calendars for 2001
553 Highlights of 2000 Tax Changes
910 Guide to Free Tax Services

Specialized Publications
3 Armed Forces’ Tax Guide
225 Farmer’s Tax Guide
378 Fuel Tax Credits and Refunds
463 Travel, Entertainment, Gift, and Car Expenses
501 Exemptions, Standard Deduction, and Filing Information
502 Medical and Dental Expenses
503 Child and Dependent Care Expenses
504 Divorced or Separated Individuals
505 Tax Withholding and Estimated Tax
508 Tax Benefits for Work-Related Education
514 Foreign Tax Credit for Individuals
516 U.S. Government Civilian Employees Stationed Abroad
517 Social Security and Other Information for Members of the Clergy and Religious Workers
519 U.S. Tax Guide for Aliens
520 Scholarships and Fellowships
521 Moving Expenses
523 Selling Your Home
524 Credit for the Elderly or the Disabled
525 Taxable and Nontaxable Income
526 Charitable Contributions
527 Residential Rental Property
529 Miscellaneous Deductions
530 Tax Information for First-Time Homeowners

Commonly Used Tax Forms

<table>
<thead>
<tr>
<th>Form Number and Title</th>
<th>Catalog Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>1040 U.S. Individual Income Tax Return</td>
<td>11320</td>
</tr>
<tr>
<td>Sch A &amp; B Itemized Deductions &amp; Interest and Ordinary Dividends</td>
<td>11330</td>
</tr>
<tr>
<td>Sch C Profit or Loss From Business</td>
<td>11334</td>
</tr>
<tr>
<td>Sch C-EZ Net Profit From Business</td>
<td>14374</td>
</tr>
<tr>
<td>Sch D Capital Gains and Losses</td>
<td>11338</td>
</tr>
<tr>
<td>Sch D-1 Continuation Sheet for Schedule D</td>
<td>10424</td>
</tr>
<tr>
<td>Sch E Supplemental Income and Loss</td>
<td>11344</td>
</tr>
<tr>
<td>Sch EIC Earned Income Credit</td>
<td>13339</td>
</tr>
<tr>
<td>Sch F Profit or Loss From Farming</td>
<td>11346</td>
</tr>
<tr>
<td>Sch H Household Employment Taxes</td>
<td>12187</td>
</tr>
<tr>
<td>Sch J Farm Income Averaging</td>
<td>25513</td>
</tr>
<tr>
<td>Sch R Credit for the Elderly or the Disabled</td>
<td>11359</td>
</tr>
<tr>
<td>Sch SE Self-Employment Tax</td>
<td>11358</td>
</tr>
<tr>
<td>1040A U.S. Individual Income Tax Return</td>
<td>11327</td>
</tr>
<tr>
<td>Sch 1 Interest and Ordinary Dividends for Form 1040A Filers</td>
<td>12075</td>
</tr>
<tr>
<td>Sch 2 Child and Dependent Care Expenses for Form 1040A Filers</td>
<td>10749</td>
</tr>
<tr>
<td>Sch 3 Credit for the Elderly or the Disabled for Form 1040A Filers</td>
<td>12064</td>
</tr>
<tr>
<td>1040EZ Income Tax Return for Single and Joint Filers With No Dependents</td>
<td>11329</td>
</tr>
<tr>
<td>1040-ES Estimated Tax for Individuals</td>
<td>11340</td>
</tr>
<tr>
<td>1040X Amended U.S. Individual Income Tax Return</td>
<td>11360</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Form Number and Title</th>
<th>Catalog Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>2106 Employee Business Expenses</td>
<td>11700</td>
</tr>
<tr>
<td>2106-EZ Unreimbursed Employee Business Expenses</td>
<td>20604</td>
</tr>
<tr>
<td>2210 Underpayment of Estimated Tax by Individuals, Estates, and Trusts</td>
<td>11744</td>
</tr>
<tr>
<td>2441 Child and Dependent Care Expenses</td>
<td>11862</td>
</tr>
<tr>
<td>2848 Power of Attorney and Declaration of Representative</td>
<td>11980</td>
</tr>
<tr>
<td>3903 Moving Expenses</td>
<td>12490</td>
</tr>
<tr>
<td>4562 Depreciation and Amortization</td>
<td>12906</td>
</tr>
<tr>
<td>4868 Application for Automatic Extension of Time To File U.S. Individual Income Tax Return</td>
<td>13141</td>
</tr>
<tr>
<td>4952 Investment Interest Expense Deduction</td>
<td>13177</td>
</tr>
<tr>
<td>5329 Additional Taxes Attributable to IRAs, Other Qualified Retirement Plans, Annuities, Modified Endowment Contracts, and MSAs</td>
<td>13329</td>
</tr>
<tr>
<td>6251 Alternative Minimum Tax-Individuals</td>
<td>13600</td>
</tr>
<tr>
<td>8283 Noncash Charitable Contributions</td>
<td>62299</td>
</tr>
<tr>
<td>8582 Passive Activity Loss Limitations</td>
<td>63704</td>
</tr>
<tr>
<td>8606 Non deductible IRAs</td>
<td>63966</td>
</tr>
<tr>
<td>8812 Additional Child Tax Credit</td>
<td>10644</td>
</tr>
<tr>
<td>8822 Change of Address</td>
<td>12081</td>
</tr>
<tr>
<td>8829 Expenses for Business Use of Your Home</td>
<td>13232</td>
</tr>
<tr>
<td>8863 Education Credits</td>
<td>25379</td>
</tr>
</tbody>
</table>

See How To Get Tax Help for a variety of ways to get publications, including by computer, phone, and mail. For fax orders only, use the catalog number when ordering.