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INTERNAL REVENUE SERVICE
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The Honorable Phil Hare
Member, U.S. House of Representatives
261 North Broad Street #5
Galesburg, IL 61401

Attention:

Dear Congressman Hare:

I am responding to your letter dated January 8, 2009, on behalf of your constituent, . sold stock to purchase a converted van so that , who is confined to a wheelchair, can drive independently. The sale of the stock resulted in a capital gain treated as income on their federal income tax return. This caused to lose certain state benefits because used the income reported on federal tax return to determine their eligibility for state programs. asked if any law or regulation allows him to reduce his capital gain since he used the proceeds for a medical expense.

Income includes gain from the sale of property. Appreciation in the value of property is taxed when the gain is realized, for example when the property is sold. If the property sold is a capital asset, such as stock, the income from the sale is capital gain and is taxed at a capital gain rate. The fact that an individual then uses this income to pay a medical expense does not change the result. The Congress would have to legislate to make this change.

However, taxpayers can deduct amounts spent on medical expenses for the taxpayer and the taxpayer's spouse to the extent the medical expenses exceed 7.5 percent of the taxpayer's adjusted gross income. Taxpayers may 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, including the difference between the cost of a regular car and a car specially designed to hold a wheelchair.

