

As Medical Expenses Rise, Don't Miss Key Deductions

There are plenty of horror stories about uncovered medical expenses these days, and the truly horrifying part is that many of them belong to people who actually have health insurance. But anytime you or a family member is facing a health crisis or an unusual medical-related expense, it's best to check to see if you might get a break from Uncle Sam.

A tax professional and a financial planner should be consulted to determine whether there are any tax issues or any ways to defer cost or save money at any part of the process. The Internal Revenue Service lets you deduct medical costs as long as they are more than 7.5 percent of your adjusted gross income (AGI). That means if your AGI is \$50,000, you can deduct only those unreimbursed expenses that exceed \$3,750.

Getting there requires some planning, which is why it's so important to gather up every dime of unreimbursed medical, dental and vision care expenses and review it carefully.

Here are things people often miss:

Medically related travel: The IRS evaluates the standard cents-per-mile allowance each year for travel to and from medical treatments. Between Jan. 1-June 30, that rate was 19 cents a mile. Between July 1 and Dec. 31, the rate will rocket to 27 cents a mile.

Insurance payments from already taxed income: This includes the cost of long-term care insurance, up to certain limits based on your age.

Uninsured medical treatments: This includes what you spend for an extra pair of eyeglasses or set of contact lenses, false teeth, hearing aids or artificial limbs.

Rehab treatment: What you pay for alcohol or drug-abuse treatments can be noted on Schedule A.

Weight-loss to smoking cessation: If a doctor prescribes it, you'll be able to deduct it.

Laser vision correction surgery: May be an allowable expense to deduct on your current taxes.

Doctor-recommended equipment and related expenses: If your doctor tells you that you need a humidifier installed on your heating and air conditioning system to help your breathing problems, you might be able to deduct all or part of the cost for the device as well as the additional energy costs to run it.

Some medical education costs: If you, your spouse or child have a chronic medical condition and you attend a conference to learn more about it, you can count admission and transportation expenses as a deduction, but not meals and lodging.

If you're self-employed: You may deduct, as an adjustment to gross income, the full cost paid for medical insurance for you, your spouse and your dependents.

Lodging for out-of-town treatment: When accompanying a minor dependent to out-of-town medical treatment, hotel bills may be partially deductible.

Here are some less common expenses to watch:

Medically necessary home improvements or equipment: If you do a home improvement or bring in special equipment that's considered medically necessary for you, your spouse or your dependents, you'll be able to deduct the cost. These may include special entrance/exit ramps to your house, widening doorways, modifying kitchens or bathrooms, or adding a chairlift for the physically disabled. Because these improvements are not expected to add to the market value of the home, they are considered fully deductible. If the improvement increases the value of your home, only the amount of the expense that exceeds the increase in the property value of your home is deductible.

Nursing services: If you are paying out-of-pocket for a home-based nurse, these expenses may be deductible.

Lead paint removal: Lead paint is dangerous, and the money needed to remove the paint from a home is deductible.