

Tax Benefits for People With Disabilities

Article Highlights:

- Able Accounts
- Disabled Spouse or Dependent Care Credit
- Medical Deductions
- Home Modifications
- Special Schooling
- Nursing Services

The code includes a number of benefits for individuals with disabilities, but you can't take advantage of these benefits unless you know about them and understand how they might benefit you and your special circumstances. Many of the benefits also apply to the parents of children with disabilities. Here is a rundown:

ABLE Accounts - Under tax law, states can offer specially designed, tax-favored ABLE accounts to people with disabilities who became disabled before age 26.

Recognizing the special financial burdens faced by families raising children with disabilities, ABLE accounts are designed to enable people with disabilities, who became disabled before age 26, and their families to save for and pay for disability-related expenses.

They are state run programs authorized by the federal tax statute, and must be established by your state. States that have established ABLE accounts can offer its residents the option of setting up one of these accounts, or if it chooses, contract with another state that offers such accounts. Contributions totaling up to the annual gift tax exclusion amount, currently \$14,000, can be made to an ABLE account each year, and distributions are tax-free if used to pay qualified disability expenses.

Disabled Spouse or Dependent Care Credit - A tax credit is available to individuals that incur child-care expenses for children who are under the age of 13 at the time the care is provided. This credit is also available for the care of the taxpayer's spouse or dependent that is physically or mentally not able to care for himself or herself and lived with the taxpayer for more than half the year. This also true for individuals that would have been dependents except for the fact that they earned \$4,000 or more (2015) or filed a joint return with their spouse. The credit ranges from 20 to 35%, with lower income taxpayers, benefiting from the higher percentage and those with AGI's of \$43,000 or more receiving only 20%. The care expenses qualifying for the credit are limited to \$3,000 for one and \$6,000 for two or more qualifying individuals.

Medical Expense Deductions - In addition, to the "normal" medical expenses there other unusual deductible expenses that are incurred by individuals with disabilities. However, to gain a tax benefit, an eligible taxpayer must itemize their deductions on Schedule A, and their total medical expenses must exceed 10 percent of their adjusted gross income (7.5 percent for taxpayers who are at least age 65). Eligible expenses include:

- **Prosthesis,**
- **Vision Aids** - contact lenses and eyeglasses,

- **Hearing Aids** – and cost and repair of special telephone equipment for people who are deaf or hard of hearing,
- **Wheelchair** - cost and maintenance,
- **Service Dog** - cost and care of a guide dog or service animal,
- **Transportation** – Modifications or special equipment added to vehicles to accommodate a disability.
- **Impairment-Related Capital Expenses** - Amounts paid for special equipment installed in the home, or for improvements may be included in medical expenses, if their main purpose is medical care for the taxpayer, the 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 a home to a taxpayer's disabled condition, or that of the spouse or dependents who live with the taxpayer, do not usually increase the value of the home and the cost can be included in full as medical expenses.
- **Learning Disability** - Tuition fees paid to a special school for a child who has severe learning disabilities caused by mental or physical impairments, including nervous system disorders can be included in medical expenses. A doctor must recommend that the child attend the school. Tutoring fees recommended by a doctor for the child's tutoring by a teacher who is specially trained and qualified to work with children who have severe learning disabilities may also be included.
- **Special Schooling** - Medical care includes the cost of attending a special school designed to compensate for or overcome a physical handicap, in order to qualify the individual for future normal education or for normal living. This includes a school for the teaching of Braille or lip reading. The principal reason for attending must be the special resources for alleviating the handicap. The cost of tuition for ordinary education that is incidental to the special services provided at the school, and the cost of meals and lodging supplied by the school also is included as a medical expense.
- **Nursing Services** - Wages and other amounts paid for nursing services can be included in medical expenses. 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 the 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.

If you have questions related to any of the tax benefits listed above or have questions related to potential medical expenses not discussed above, please give this office a call.