State and Federal Tax Credits and Deductions

Seven out of 10 people with Alzheimer's disease live at home, where family and friends provide 80 percent of their care. Because caregivers pay for most of these expenses out of pocket, they may be eligible for tax credits or deductions.

Descriptions of tax credits, deductions and eligibility requirements are described below. For more information, contact your state's Department of Revenue and/or seek help from a tax professional for advice about your state and situation.

Medical expenses
You may be eligible to deduct medical expenses from the taxes that you pay for yourself, your spouse and your dependents. Medical expenses include medical fees for diagnosis, prevention of disease, cure, hospital services, some long-term care and nursing services, and insurance premium payments for accident and health insurance.

Deducting medical expenses
You can deduct only the amount of your medical and dental expenses that is more than 7.5 percent of your adjusted gross income (AGI). Your AGI is found on form 1040, line 38.

Child and dependent care credit
If you paid someone to care for a child or a dependent so you could work or look for work, you may be able to reduce your tax by claiming the Child and Dependent Care Credit on your federal income tax return. The credit is a percentage of the amount of work-related child and dependent care expenses you paid to a care provider. The credit can be up to 35 percent of your qualifying expenses, depending on your income. Eligibility requirements include:

- Taxpayer must live with the person they claim as a dependent for more than six months.
- Taxpayer filing status must be single, head of household, qualifying widow(er) with a dependent child or married filing jointly.
- Taxpayer must have earned income from wages, salaries, tips or other taxable income.

Caregiver tax credits and deductions
Certain states have additional tax deductions or tax credits to provide financial relief to caregivers. These tax programs build on the federal tax credit, which reduces the amount of income taxes a family owes. Note that each state program differs by name and eligibility requirements.

Long-term care insurance
If you purchase long-term care insurance, you may be eligible for a credit or deduction on your taxes because qualified long-term care insurance premiums are considered a medical expense. Some states require that your long-term care policy be federally qualified, meaning the policy:

- Does not reimburse for services/items that would otherwise be reimbursed by Medicare.

- Does not provide cash upon cancellation of the policy, known as "Cash Surrender Value."
- Is guaranteed renewable, meaning that you are required to renew the policy for a specified amount of time, regardless of any changes to your health.

This information is not intended as tax advice. The determination of how tax laws affect a taxpayer depends on the taxpayer's situation. A taxpayer may be affected by exceptions to the general rules and by other laws not discussed here. Therefore, taxpayers are encouraged to seek advice from a competent tax professional.

The Alzheimer's Association is the world's leading voluntary health organization in Alzheimer's care, support and research. Our mission is to eliminate Alzheimer's disease through the advancement of research; to provide and enhance care and support for all affected; and to reduce the risk of dementia through the promotion of brain health.

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