

**Attorney Timothy P. Crawford, CPA, CELA\*, CAP\*\***  
wanted to share this information with you.

## **Health Care Deductions, Some New Considerations**

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If you thought you knew how to handle health care deductions in the past, well think again. The rules have changed for 2013. Unfortunately, the changes are not in the consumer's favor. So, to be a savvy consumer, you need to keep in mind the following considerations.

**1) There are new thresholds for itemized medical deductions.** Beginning in 2013 (unless you are 65 or older), the total cost of your medical expenses must be 10% of adjusted gross income (AGI), up from the previous level of 7.5% of AGI in order to claim those expenses as a medical deduction. AGI is your annual income minus certain deductions like moving costs, IRA contributions, student loan interest, etc. The prior amount was difficult enough to reach, and now it is set higher. One silver lining for those who turn 65 during the 2013 calendar year or are older than 65, the level will remain at 7.5% until 2017, when it too will change to the 10% level.

**2) Shift medical expenses to alternating years.** If there is any discretion in when you incur certain medical expenses like elective surgery or when you get those new frames for your prescription glasses, then please do so. What this will mean is that, at least in some years, you will have spent enough to claim the medical deduction. For example, in 2013, if your income were \$85,000 and your medical expenses were \$10,000, you could claim a medical deduction of \$1,500 (medical expenses{\$10,000} minus 10% of income{\$8,500}). In 2014, you might only have medical costs of \$2,500, but at least in 2013, you were able to claim the medical deduction instead of never.

**3) Deduct medical expenses for a parent or grandparent, under certain conditions.** Well here you may get a bonus – if you pay for medical expenses for a dependent parent– you can add those to your own medical expenses when filing your tax return. That may allow you to meet the 10% threshold to make a claim. The one caveat is that in order to define your parent as dependent, you have to pay for over half of his/her living expenses during the year you are making the claim.

**4) Long-term care insurance premiums can count as medical expenses.** With certain limitations related to your age, you can count part of your long-term health insurance

premiums as medical expenses. This can help you reach that magic 10% of AGI number to enable you to make a medical exemption claim. Consult yearly tables for the precise amount, because the amounts are adjusted annually for inflation. However, to give one example, at age 40 or younger, you can count \$350 of the long-term care premium; at ages 61-70, you can count \$3,640 of the premium (relative to age as of 12-31-2013).

**5) Flexible spending accounts (FSA) are the flip side of medical exemption claims.** If you can't meet the threshold of filing for a medical expenses claim, FSAs offer a back-door, if they are available through your place of employment. Starting this year, even though they will now be capped at \$2,500, a FSA allows you to set aside money in advance for medical expenses. Then, the amount that you set aside, is deducted from your taxable annual salary. In essence, you are paying for medical expenses tax-free!

So, be smart during 2013 and use the new rules to your advantage. Best of luck!

**“Those Who Plan Ahead Win.  
Those Who Don't Plan Ahead Lose.”**

This article is for informational purpose only and is not intended as legal advice. It is recommended that you call Timothy P. Crawford for a free conference to discuss your situation in more detail. Attorney Crawford can be reached at 1-262-634-6659. Please refer to this article when you call.

\*Attorney Timothy P. Crawford is a Nationally Board Certified Elder Law Attorney (**CELA**). He has been Board Certified by the National Elder Law Foundation which has been approved as the Sole Certifying Organization for Elder Law Attorneys by the American Bar Association.

\*\*Timothy P. Crawford was invited to join the Council of Advanced Practitioners (**CAP**) of the National Academy of Elder Law Attorneys (**NAELA**) in August of 2005. **CAP** is a small group of premier elder law attorneys, all of whom have been members of NAELA for at least 10 years, are certified as elder law attorneys by the National Elder Law Foundation, and are AV rated by Martindale Hubbell, a service that provides an independent rating of the quality of attorneys, as one of the top attorneys in the nation.

Attorney Timothy P. Crawford has been selected as a **Fellow** of NAELA. **Fellow** is the highest honor bestowed by the Academy. Selection as a **Fellow** signifies that his peers recognize the lawyer as a model for others and as an exceptional lawyer and leader.

Attorney Timothy P. Crawford has a superb rating of 10 out of 10 with A V V O.

A V V O has awarded to Attorney Timothy P. Crawford the A V V O Client's Choice Award.

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“A majority of text has come from an article prepared by Maureen E. Hook, Ph.D. and published in Attorney Andrew Hook's newsletter. Andrew Hook is a friend of Attorney Timothy P. Crawford and this information is being used here with permission.”