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### Federal Income Tax Considerations Lakeside Assisted Living Expenses

A factor often overlooked in considering the affordability of assisted living services is the potential income tax benefits that may be realized relating to the cost of such care. This is true when an individual pays for his or her own services directly, and also if family members are paying for a portion or all of the cost of care for an assisted living resident.

In general, all residents who live at Lakeside for reasons of their health care security may deduct the portion of their payments that relates to the direct personal assistance services they receive. For the year **2009** this amount is estimated at **67%** of the basis assisted living rate plus 100% of extended care services costs. In cases where residents meet certain medical necessity requirements established by the Internal Revenue Service, 100% of the total amount paid to Lakeside may be deductible for federal income tax purposes.

It is important to note that these medical necessity provisions are based on the facts and circumstances relating to each individual's case. These deductions are not available if an individual is residing in an assisted living facility for his or her convenience or the convenience of family members. Generally, it is recommended that you obtain a letter from a physician to support the decision.

You should also know that a family member that pays for all or a portion of the cost of assisted living services may be able to recognize the above medical deductions personal if the resident qualifies as a dependent of such individual. In order to claim an assisted living resident as a dependent, the family member must contribute at least 50% of the support of the resident during the year and meet certain other requirements. Additionally, a person eligible to claim a resident as a dependent is entitled to an additional personal exemption of \$3,650 (in 2009) for federal tax return purposes.

	<u>28% Tax Bracket Full Deduction</u>	<u>28% Tax Bracket 67% Deduction</u>
Deductible Portion of Care Costs	\$57,305	\$38,394
Exemption for Dependent (2009 amount)	<u>3,650</u>	<u>3,650</u>
Total Deductions	\$60,955	\$42,044
Potential Tax Savings	\$17,067	\$11,772

As you can see, the effect of these tax savings can amount to thousands of dollars a year and should be considered when evaluating the true cost of staying at our community. Each year, Lakeside will provide residents and their families with a statement that describes the percentage deduction which may be available to them for federal tax purposes.

As indicated, however, these tax issues are complex. For instance, only medical expenses in excess of 7.5% of a taxpayer's adjusted gross income are deductible for federal tax purposes.

**Consequently, we recommend that you consult with a tax advisor to determine the potential tax treatment in your particular circumstances.**



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## INCOME TAX CONSIDERATIONS LAKESIDE ASSISTED LIVING SERVICES 2009 TAX YEAR

A factor often overlooked in considering the affordability of healthcare for seniors is the potential federal income tax benefits that may be realized relating to the cost of such care. This is particularly important when family members are paying for a portion or all of the cost of care for an assisted living resident.

The deductibility of the costs of care in a health care facility other than a hospital depends on the condition of the individual and the nature of services provided by the provider itself.

Generally speaking, amounts paid by individuals who receive services pursuant to a plan of care developed and monitored by a healthcare professional, and who satisfies one of the following conditions, may qualify and deduct the entire amount for assisted living services.

- Being unable to perform without substantial assistance from another individual at least 2 out of 6 daily living activities (eating, toileting, transferring, bathing, dressing, continence) for a period of at least 90 days due to a loss of functional capacity,
- Requiring substantial supervision to protect such individual from threats to health and safety due to severe cognitive impairment.

If an individual does not satisfy one of the above criteria, the individual may be able to deduct a portion of the cost in the Assisted Living and Compass Programs at Lakeside Assisted Living. **This partial deduction for the “personal assistance services” part of the overall rate for 2009 is 67% of the basic resident’s charges.** Consequently, a partial medical deduction of \$30,080 to \$46,709 may be available for residents who live at Lakeside Assisted Living for reasons of their healthcare.

It is important to note that this medical necessity provision is based on the facts and circumstances relating to each individual’s case, and that these deductions are not available if an individual is residing in an assisted living facility for his own her own convenience or the convenience of the family members.

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 Lakeside Assisted Living Services  
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A family member that pays for all or a portion of the cost of assisted living services may also be able to recognize the above medical deductions personally if the resident qualifies as a dependent of such individual. In order to claim an assisted living resident as a dependent, the family member must contribute at least 50% of the support of the resident during the year and meet certain other requirements. Additionally, a person eligible to claim a resident as a dependent is entitled to an additional personal exemption of \$3,650 (2009 Amount) for tax return purposes.

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As you can see, the effect of these tax savings can amount to thousands of dollars a year and should be considered when evaluating the true cost of staying at Lakeside Assisted Living.

As indicated, however, these tax issues are complex. For instance, only medical expenses in excess of 7.5% of a taxpayer's adjusted gross income are deductible for tax purposes. Please read IRS Publication 502, "Medical and Dental Expenses" for further information.

**We recommend that you consult with a tax advisor to determine the potential tax treatment in your particular circumstances. Please refer to The Internal Revenue Code Sections 7702B(c) (1), 213, and 4980C and Notice 97-31, 1997-21, IRB, 05-06-97.**