

State and Federal Tax Credits and Deductions

More than seven out of 10 people with Alzheimer's disease live at home, where family and friends provide almost 75 percent of their care. The remainder is "paid care" costing an average of \$19,000 per year. 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.

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.

How much of my medical expenses can I deduct?

You can deduct only the amount of your medical and dental expenses that is more than 7.5 percent of your AGI, adjusted gross income (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. Consult the table on the next page to see if your state offers this type of credit or deduction.

Long-term care insurance

If you purchase long-term care insurance, you may be eligible for a credit or deduction on your taxes. To be eligible, a medical practitioner must certify you, your spouse or dependent as chronically ill and your medical expenses must exceed 7.5 percent of your adjusted gross income (Form 1040, line 38). 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

Tax credits and deductions by state

The table below lists only those states that have tax credits or deductions. Your state may use different terminology than what appears in the table. Seek help from a tax professional for advice about your state and situation.

State	Long-Term Care Insurance	Medical Expenses	Caregiver Tax Credit and Deduction	Child and Dependent Care Credit
Alabama	X	X		
Arkansas	X	X		X
Arizona		X		
California	X	X	X	X
Colorado	X	X		
Delaware				X
Georgia		X	X	
Hawaii	X	X		X
Idaho	X	X	X	X
Indiana	X			
Iowa	X	X		X
Kansas	X	X		X
Kentucky	X	X		X
Louisiana	X	X		
Maine	X	X		X
Maryland	X	X		X
Massachusetts		X		
Minnesota	X	X		X
Mississippi		X		
Missouri	X	X	X	
Montana	X	X	X	
Nebraska		X		
New Jersey		X		
New Mexico	X	X		X
New York	X	X		X
North Carolina	X	X		X
North Dakota	X	X	X	
Ohio	X	X		X

Oklahoma		X		
Oregon	X	X	X	X
Rhode Island		X		X
South Carolina				X
Utah	X			
Vermont				X
Virginia	X	X		X
West Virginia	X			
Wisconsin	X	X		
Washington, D.C.	X	X		X

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 leading voluntary health organization in Alzheimer care, support and research.

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