

My Elderly Parents Live With Me, Can I Deduct Their Expenses?

The number of multi-generation households is on the rise for many reasons, not the least of which is the economy. We're also living longer and nursing home and assisted living facilities are not always the best fit the result of which is many families are coming back together with the roles of caregiver switching from parent-child to child-parent.

The shift in paradigm is causing many taxpayers to ask if they can deduct all or part of their expenses or if they may take advantage of the qualifying relative exemption. The IRS has 5 tests that must be met in order to qualify:

1. You are not a dependent of another taxpayer.
2. Your parent does not file a joint return.
3. Your parent is a U.S. citizen, U.S. national, U.S. resident, or a resident of Canada or Mexico.
4. You paid more than half of your parent's support for the calendar year.
5. Your parent's gross income for the calendar year was less than the exemption amount.

It's important to note generally speaking Social Security is not taxable Federal income, in particular if this is their only source of income. If your parent does qualify as a dependent you can also include any medical expenses that you paid on their behalf along with your own. In the event your parent does not meet the tests to qualify as your dependent but you still pay all or part of their medical expenses you can include those expenses along with your own deduction.

If you are unmarried for tax purposes you may qualify to use the "head of household" filing status. In order to qualify your parent must be your dependent and you must cover more than half of their household costs. This filing can apply even if your parent does not live with you.

If your parent lives with you is a qualifying dependent and is physically or mentally disabled you may be entitled to the "dependent care credit". Like all credits there are very specific rules that apply.

According to the IRS: An individual who was physically or mentally incapable of self-care, had the same principal place of abode as you for more than half of the year, and was your dependent. For this purpose, whether the individual was your dependent is determined without regard to the individual's gross income, whether the individual filed a joint return with the individual's spouse, or whether you or your spouse could be claimed as a dependent on someone else's return.

If you paid for the care of a qualifying dependent parent in order to work or look for work the credit is usually a percentage of the cost of work dependent care expenses that you paid to a care provider. The care provider may not be you, your spouse or your child

(under the age of 19). You will of course be required to provide information about the care provider including their name(s) and tax id\social security number.

The IRS website, IRS.gov provides a wealth of information regarding the care of dependents, including parents and is easy to search. The information provided is sterile bureaucratic speak and if you find it confusing I suggest you contact a CPA to whom you can explain your particular situation.