



# LAW ADVOCATE GROUP, LLP

9701 Wilshire Blvd. Suite 1000 Beverly Hills, CA 90212

Phone: 310-651-3065 Fax: 310-601-7110

[www.LawAdvocateGroup.com](http://www.LawAdvocateGroup.com)

## Doron F. Eghbali Business/Tax Law

### [Paying and Caring for Somebody? Probably, You May Deduct Some Taxes](#)

Monday, February 21, 2011 by [Doron F. Eghbali](#)

With taxes looming over us and haunting our financial and non-financial decisions alike, it is time to delve into our expenses and find places where we could deduct some taxes, if possible. There are some ways to deduct some of the medical expenses you incur while caring for a friend or relative. Let us explore this important subject further, in some detail.

#### **1. CAREGIVERS' DEDUCTION OF UP TO \$3,650 FOR 2010 (STRINGENT CRITERIA)**

Many of us care for some people, however to be able to claim some deduction as a care recipient on our taxes, we must pass ALL of the following criteria:

- Caregiver MUST provide, at least, half of the care recipient's financial support for 2010.
- Caregiver MUST live with the non-family member receiving care and financial support for the whole past year. If the care recipient is a family member, they could be living on their own.
- Caregiver MUST provide for somebody who is a legal resident of the US, Canada or Mexico or US citizen.
- Caregiver MUST provide for a person whose GROSS personal income for 2010, EXCLUDING social security benefits, does not exceed \$3650.
- Caregiver MUST provide for somebody who cannot file a joint tax return.

THEN, if ALL of the above criteria apply, then we MIGHT reduce our taxable income by \$3,650 for 2010.



## 2. CAREGIVER'S CREDIT OF UP TO \$1,050 FOR 2010

Even if the Caregiver does not meet of all of the requirements laid out above, the caregiver MIGHT be able to take advantage of dependent care credit of up to \$1,050 if AMONG OTHER THINGS, the care recipient is "mentally or physically unable to care for himself or herself."

## 3. CAREGIVER'S ITEMIZED DEDUCTION OF MEDICAL EXPENSES EXCEEDING 7.5% OF AGI

Still, there might be another tax break, if the caregiver is not eligible to receive the \$1,050 tax credit. This is when the caregiver itemizes tax deductions and the money spent on qualifying expenses exceed 7.5% of Caregiver's Adjusted Gross Income (AGI).

For instance, if the Caregiver's AGI is \$60,000, then the Caregiver MAY ONLY deduct whatever is beyond \$4,500 (7.5% of \$60,000) for qualifying expenses.

### A. DEFINITION OF QUALIFYING EXPENSES

*Some of the examples of Qualifying Expenses include, but not limited to:*

- Insurance Premiums
- Out of Pocket Costs for Doctors and Hospitals
- Some Equipment
- Nursing Home Bills (Restrictions Apply)

### B. CAVEAT

Caregiver still MUST provide at least half of the Care Recipient's financial support, in this scenario.

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**DORON EGHBALI** is a Partner at the Beverly Hills Offices of Law Advocate Group, LLP. He Primarily Practices Business, Real Estate and Entertainment Law. Doron Can Be Reached at: 310-651-3065. For More Information, Please, Visit: [HERE](#).



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