



# ZACHARIA FREY

ESTATE PLANNING | ELDER LAW | ASSET PROTECTION

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### Long-Term Care Costs Estimator

A Family Decision Guide – When you are paying for care, a large share of that cost may be a deductible medical expense. Here is how to tell.

FAMILY FINANCE

MEDICAL DEDUCTIONS

LONG-TERM CARE

### Start Here: Is the Person "Chronically Ill"?

Before any deduction applies, a **licensed health care practitioner** must certify – within the past 12 months – that the person meets at least one of the following criteria:

#### Path 1 — ADL Limitation

Needs **substantial assistance** with **2 of 6 Activities of Daily Living (ADLs)** for 90 or more days:

- Eating
- Toileting
- Transferring
- Bathing
- Dressing
- Continence

#### Path 2 — Cognitive Impairment

Needs **substantial supervision** due to severe cognitive impairment. Alzheimer's disease and dementia qualify under this path.

- ✔ If either path is met → continue to your care setting. If neither is met → only narrowly medical line items may be deductible.

*This article is provided for educational purposes only and does not constitute legal or tax advice. Every situation is different, and you should consult with qualified legal and tax professionals regarding your specific circumstances.*



# Care Setting 1: Paid Caregivers at Home

## What Is Deductible

The **full cost** of qualifying nursing and personal care – including bathing, dressing, and supervision. You must allocate out any general housekeeping portion if the worker also performs household chores.

## Key Condition

The person must be **chronically ill** and have a **written plan of care**. Only the care portion counts when the worker also performs household duties.

## Proof You Need

- Practitioner's certification of chronically ill status
- Written plan of care
- Care log supporting the time allocation
- Pay records and proof expense was unreimbursed

# Care Setting 2: Assisted Living

## What Is Deductible


Care charges are deductible. **Meals and lodging are also deductible** when medical care is the **principal reason** for residence. Memory-care units present the strongest case for full deductibility.

## Key Condition

The resident must be chronically ill with a plan of care. The facility must document that medical care – not convenience – is the primary reason for living there.

## Proof You Need

- Practitioner's certification
- Written plan of care
- Facility contract
- Annual statement allocating charges to medical vs. non-medical
- Documentation of principal-reason-for-residence
- Proof expense was not reimbursed

 Memory-care units are the strongest case for claiming meals and lodging as fully deductible – the medical purpose is inherent to the setting.

# Care Setting 3: Nursing Home / Skilled Nursing

## What Is Deductible

Usually the **entire cost** – including meals and lodging – when continual medical care is required. This is the most straightforward setting for full deductibility.

## Key Condition

The person must be **chronically ill** and medical care must be the **principal reason** for being in the facility. Continual care must be documented.

## Proof You Need

Certification, plan of care, facility statement of charges, records showing continual care, and proof the expense was not reimbursed by insurance or Medicaid.

# Care Setting 4: Adult Day Care

Adult day care is unique because it offers **two separate tax paths**. Model both and take whichever produces the greater benefit.

1

2

## Path A — Medical Deduction

Deduct costs on **Schedule A** as a medical expense. Requires the person to be chronically ill and the care to be medically necessary under a plan of care.

*Proof: certification, plan of care, invoices.*

## Path B — Dependent Care Credit

Claim the **Child & Dependent Care Credit** if you pay for adult day care so that you (and your spouse, if married) can work or look for work.

*Proof: provider name, address, and tax ID number.*



Run the numbers both ways. The credit directly reduces your tax bill dollar-for-dollar, while the deduction only reduces taxable income — the better choice depends on your tax bracket and AGI.

## Rules That Apply to Every Care Setting

1

### The 7.5% AGI Floor

You must **itemize deductions**, and only medical costs above **7.5% of your adjusted gross income (AGI)** are deductible. Large care bills usually clear this threshold easily — but watch out: a large IRA withdrawal to fund care raises your AGI and therefore raises the floor.

2

### Whose Costs Count

You may deduct costs for **yourself, your spouse, or a dependent**. A child who pays more than half of a parent's support can often deduct the parent's care costs — even when the parent's income is too high to be claimed as a dependent in the usual sense.

3

### Net of Reimbursement

You must **subtract anything paid** by insurance, long-term care insurance benefits, or Medicaid. Only your true out-of-pocket cost is deductible. Keep documentation showing what was and was not reimbursed.

# LTC Insurance Premiums Are Also Deductible

Premiums paid on **tax-qualified long-term care insurance policies** are themselves deductible as a medical expense — subject to age-based annual caps. Each spouse uses their own age to determine their individual limit.

**\$500**

**Under Age 40**

2026 annual deduction cap per  
person

**\$930**

**Ages 41–50**

2026 annual deduction cap per  
person

**\$1,860**

**Ages 51–60**

2026 annual deduction cap per  
person

**\$4,960**

**Ages 61–70**

2026 annual deduction cap per  
person

**\$6,200**

**Over Age 70**

2026 annual deduction cap per  
person

**i** These caps apply to each individual. A married couple each uses their own age — potentially doubling the household deduction if both carry qualifying policies.

# Your "Safe Harbor" Documentation Checklist

The deduction is not aggressive when your file is complete. **The risk is missing paperwork, not the legal position.** Gather and retain the following:

## → Chronically Ill Certification

Practitioner's written certification of "chronically ill" status. **Renew every 12 months** – a lapsed certification is the most common documentation failure.

## → Written Plan of Care

A plan of care prescribed by the licensed health care practitioner, specifying the type and frequency of care required.

## → ADL or Cognitive Impairment Records

Documentation supporting the 2-of-6 ADL limitation finding, or the severe cognitive impairment determination.

## → Facility Statements & Allocation

Statements from the facility allocating charges between medical/nursing care and non-medical items. Critical when claiming meals and lodging under the principal-reason-for-residence rule.

## → Caregiver Time Records

Logs separating care-related hours from household work hours, especially for in-home caregivers who perform both functions.

## → Invoices & Non-Reimbursement Proof

All invoices and documentation confirming the expense was **not reimbursed** by insurance, LTC benefits, or Medicaid.

# Quick Reference: All Four Care Settings

Use this summary table to compare deductibility rules across care settings at a glance.

Care Setting	What Is Deductible	Key Condition	Watch Out For
<b>Paid Caregivers at Home</b>	Full cost of qualifying nursing and personal care; allocate out housekeeping	Chronically ill + written plan of care	Mixed-duty workers — log care vs. household hours carefully
<b>Assisted Living</b>	Care charges; meals & lodging when medical care is principal reason	Chronically ill + plan of care + principal-reason documentation	Facilities that don't itemize statements — request annual allocation
<b>Nursing Home / Skilled Nursing</b>	Usually entire cost including meals & lodging	Chronically ill + medical care is principal reason + continual care	IRA withdrawals to fund care raise AGI and the 7.5% floor
<b>Adult Day Care</b>	Path A: Schedule A deduction; Path B: Dependent Care Credit	Path A: chronically ill + medically necessary. Path B: caregiver is working	Model both paths — the credit may outperform the deduction



This guide is for general educational purposes. Tax rules change and individual circumstances vary. Consult a qualified tax professional before claiming deductions for long-term care expenses.