

# Tax breaks for elder care



You may be one of the many people who provides some care for an elderly parent. The care may range from a simple daily check-in to more complex daily assistance with the basics of living. The stress involved in taking care of one or more parents can be significant. It can also impose a financial burden. Fortunately, there are various tax breaks that may help reduce the financial strain. What follows is an explanation of those tax breaks and who can potentially qualify for them.

## ✓ Medical expense deduction

The tax code allows you to deduct qualified medical expenses that are more than 7.5% of your adjusted gross income (AGI). Qualifying medical expenses could include payment for the cost of a parent's hospital stay or expensive medical or dental care not reimbursed by insurance or other programs. This deduction can only be claimed if you itemize your deductions instead of claiming the standard deduction and your parent is your dependent (or would qualify as your dependent except that he or she has too much gross income or files jointly).

## ✓ Dependent care tax credit

You may be able to claim this credit if your parent lived with you for more than half the year and you paid expenses for his or her care to enable you (and your spouse if filing a joint return) to work or actively look for work. The amount of the credit is a percentage of the amount of work-related expenses you paid to the care provider. The percentage depends on your AGI.

The total expenses you may use to calculate the credit may not be more than \$3,000 for one qualifying individual (\$6,000 for two) in 2023. Expenses are eligible if the primary reason for paying the expense is to assure the individual's well-being and protection. If you received dependent care benefits that you exclude or deduct from your income, you must subtract the amount of those benefits from the dollar limit that applies to you.

## ✓ Credit for other dependents

You may be eligible to claim up to \$500 as a tax credit if your parent qualifies as your dependent. To qualify, you must provide more than 50% of your parent's financial support during the year, even if your parent does not live with you. Support includes expenses such as utilities, food, health care, household repairs, clothing and travel.

## ✓ Health flexible spending account

If you participate in an employer provided health flexible spending account, you may be able to pay up to \$3,200 (for 2024) of medical care for a dependent parent using pretax dollars.

## ✓ Dependent care flexible spending account

If you qualify, you can spend up to \$5,000 per household (or \$2,500 if married, filing separately) for care-related expenses using pre-tax dollars in your flexible spending account.

## Professional help is essential

The tax laws are complex and can confuse even generally knowledgeable individuals. It is important that you seek out the help of a tax professional for clarification of what elder care-related expenses may qualify for a tax break in your particular case.



If you have questions about your workplace retirement plan, please contact your Human Resources department or your retirement plan provider's customer service center.

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