

TIP: The overall limit on itemized deductions is scheduled to reduce starting in 2006 and disappear in 2010.

- E. Per the IRS Statistics of Income Bulletin, based on 2001 (most recent) returns, the average deductions were as follows:

AGI	Medical	Taxes	Charitable	Interest
\$50,000 - \$100,000	\$5,532	\$5,108	\$2,429	\$8,330
\$100,000 - \$200,000	\$10,780	\$9,713	\$3,761	\$11,817
\$200,000 and over	\$35,927	\$38,931	\$17,842	\$23,260

III. **MEDICAL EXPENSES (SCHEDULE A, LINE 1) (CODE SECTION 213)**

A. Background — Deducting medical expenses has become easier as the list of qualifying medical expenses has expanded, the cost of medical care has increased, and for many in this economy, AGI has decreased. Even when the taxpayer has not exceeded the 7.5% AGI limitation for an itemized deduction, the practitioner can often recommend other strategies, such as HSA's, 125 plans and 105 plans, to convert the expense to a pre-tax basis.

B. Deductible items on Schedule A

1. Amounts paid for the diagnosis, cure, mitigation, treatment, or prevention of disease, and for the treatments affecting any part or function of the body. Medical expenses must be primarily to alleviate or prevent a physical or mental defect or illness (Code Section 213(a)).
2. See the "What Medical Expenses are Deductible Checklist" for a detailed list of itemized deductions.

C. Additional deductible items for HSA's and Code Section 125 and 105 plans.

1. The IRS in Rev. Rul. 2003-102, now permits certain over-the-counter items to be reimbursed if purchased in reasonable quantities without a medical practitioner's note.
2. Certain over-the-counter drugs can be reimbursed with a medical practitioner's note.
3. Some items were identified specifically as non-deductible.
4. See the "What Over-the-Counter Medical Items are Deductible" checklist for a detailed list.

ITEMIZED DEDUCTIONS

What Medical Expenses Are Deductible?

- Abortion
- Acupuncture
- Alcoholism — inpatient treatment at a therapeutic center for alcohol addiction (includes meals and lodging provided by the center).
- Ambulance
- Artificial Limbs and Artificial Teeth
- Birth Control Pills
- Braille books and magazines to the extent the cost exceeds a regular printed edition.
- Breast reconstruction after a mastectomy (Rev. Rul. 2003-57).
- Car — special hand controls, etc. for disabled individuals.
- Chiropractor
- Christian Science Practitioner
- Contact Lens — Including equipment and materials such as a saline and enzyme cleaner.
- Crutches (Rev. Rul. 2003-58)
- Dentists & Dental Treatment
- Drug Addiction — inpatient treatment at a therapeutic center (includes meals and lodging provided by center)
- Drugs — Prescription
- Elastic hosiery
- Equipment, supplies and diagnostic devices even if not prescribed by a physician (Rev. Rul. 2003-58)
- Eyeglasses — includes examination fees
- Fertility Enhancement — in vitro and surgery (PLR 200318017)
- Guide Dog or Other Animal — includes care expenses of the animal.
- Health Club — only if the treatment is prescribed by a physician and the physician issued a statement that the treatment is necessary to alleviate a physical or mental defect or illness of the individual receiving the treatment.
- Health Maintenance Organization (HMO) — treated as insurance premiums.
- Hearing Aids (including batteries)
- Home Care
- Hospital Services
- Insurance Premiums — hospitalization, surgical fees, X-rays, etc. including prescription drugs, replacement of lost or damaged contact lenses membership in "free choice" medical services, Medicare or qualified long-term care
- Laboratory Fees
- Laser Eye Surgery
- Lead-Based Paint Removal — to prevent a child who has or who has had lead poisoning from eating the paint.
- Learning Disability - tuition fees for a special school for a child with severe learning disabilities caused by mental or physical impairments, including nervous systems disorders. Doctors must recommend child attend.
- Legal Fees — necessary to authorize treatment for mental illness.
- Lodging while away from home - \$50 per night for each person. Includes a person accompanying an ill person.
 - c Lodging not provided in a hospital or similar institution must meet all of the following criteria:
 - Lodging is primarily and essentially for medical care;
 - Medical care is provided by a doctor in a licensed hospital or equivalent;
 - Lodging is not lavish or extravagant; and,
 - There is no significant element of personal pleasure, recreation or vacation in the travel away from home.

- Meals — only for inpatient care.
- Medical Conferences — admission to or transportation to a medical conference if it concerns the chronic illness of you, spouse, or dependent. Must spend a majority of your time at the conference attending sessions. Does not include meals or lodging.
- Medicines — prescribed medicines and drugs (requires a prescription) and insulin.
- Medical Services — for legal medical services provided by physicians, surgeons, specialists, or other medical practitioners.
- Mentally Retarded — the cost of keeping a mentally retarded person in a special home, not the home of a relative, on the recommendation of a psychiatrist to help in the person adjust.
- Nursing Home — cost of medical care in a nursing home, including the cost of meals and lodging in the home if the main reason for being there is to get medical care. If the reason for being there is personal, deduct only the portion for nursing and medical care.
- Nursing Services — services need not be performed by a nurse as long as the services are of a kind generally performed by a nurse (giving medication, changing dressings, bathing and grooming).
- Operations — legal operations that are necessary (not cosmetic surgery).
- Optometrist
- Oxygen — for oxygen and oxygen equipment to relieve breathing problems caused by a medical condition.
- Psychiatric Care — includes the cost of supporting a mentally ill dependent at a specially equipped medical center; does not include psychoanalysis you must get as a part of your training to be a psychoanalyst.
- Schools and Education, Special — payments to a special impaired or physically disabled person if the main reason for using the school is its resources for relieving the disability. Includes the cost of teaching Braille to the visually impaired, teaching lip reading to the hearing impaired and giving remedial language training to correct a condition caused by a birth defect. You cannot include the cost of sending a problem child to a special school for benefits the child may get from the course study and the disciplinary methods.
- Sterilization — cost of a legal sterilization.
- Stop-Smoking Program — stop-smoking program. You cannot include drugs that do not require a prescription such as a nicotine patch or gum (Rev. Rel. 99-28).
- Telephone — the cost and repair of special telephone equipment that lets a hearing-impaired person communicate over a regular telephone.
- Television — the cost of equipment that displays the audio part of a television program for the hearing-impaired.
- Therapy
- Transplants — surgical, laboratory, and transportation expenses for a donor or possible donor of an organ.
- Transportation Costs — primarily for and essential to medical care, includes bus, taxi, train, plane, ambulance, parking fees, tolls, and automobile expenses at the greater of out-of-pocket expenses for gas and oil or \$.14 per mile for 2004.
- Trips — transportation to another city if the trip is primarily for and essential to receiving medical services. Does not include vacations even if recommended by a doctor.
- Weight-Loss Programs — undertaken at a physician's direction to treat an **existing** disease (such as heart disease or obesity). Not deductible if it is to improve your general health and well-being (Rev. Rut. 2002-19 and Rev. Rul. 79-151).
- Wheelchair — used mainly for the relief of sickness or disability and not just to provide transportation to and from work.
- X-Rays

What Over-The- Counter Medical Items Are Deductible?**Eligible Expenses:**

The following is a list of over-the-counter (OTC) items the IRS has determined to **be** primarily for medical care and that can be reimbursed when purchased in reasonable quantities without a medical practitioner's note. This is only deductible in HSA, 125 and 105 type plans per Rev. Rul. 2003-102.

<input type="checkbox"/> Allergy Medicine	<input type="checkbox"/> Motion sickness pills
<input type="checkbox"/> Antacids	<input type="checkbox"/> Nasal sinus sprays
<input type="checkbox"/> Bactine	<input type="checkbox"/> Nasal strips
<input type="checkbox"/> Band-Aids/bandages	<input type="checkbox"/> Nicotine gum or patches for stop-smoking purposes
<input type="checkbox"/> Bug-bite medication	<input type="checkbox"/> Pain reliever
<input type="checkbox"/> Anti-diarrhea medicine	<input type="checkbox"/> Pedialyte for ill child's dehydration
<input type="checkbox"/> Calamine lotion	<input type="checkbox"/> Pregnancy test kits
<input type="checkbox"/> Carpal-tunnel wrist supports	<input type="checkbox"/> Products for muscle or joint pain — BenGay and Tiger Balm, for example
<input type="checkbox"/> Cold medicines	<input type="checkbox"/> Reading glasses
<input type="checkbox"/> Cold/Hot packs for injuries	<input type="checkbox"/> Rubbing alcohol
<input type="checkbox"/> Condoms	<input type="checkbox"/> Sinus medications
<input type="checkbox"/> Contact lens cleaning solution	<input type="checkbox"/> Sleeping aids used to treat occasional insomnia
<input type="checkbox"/> Cough drops	<input type="checkbox"/> Special ointment or cream for sunburn
<input type="checkbox"/> Diaper rash ointments	<input type="checkbox"/> Spermicidal foam
<input type="checkbox"/> First aid cream	<input type="checkbox"/> Thermometers (ear or mouth)
<input type="checkbox"/> First aid kits	<input type="checkbox"/> Throat lozenges
<input type="checkbox"/> Hemorrhoid medication	<input type="checkbox"/> Visine and other eye products
<input type="checkbox"/> Incontinence supplies	<input type="checkbox"/> Wart remover treatment
<input type="checkbox"/> Laxatives	
<input type="checkbox"/> Liquid adhesive for small cuts	
<input type="checkbox"/> Menstrual cycle products for pain and cramp relief	

Dual Purpose:

Some dual purpose OTC items can be reimbursed if they are used for a medical purpose. They must be accompanied by a medical practitioner's note stating that the person has a specific medical condition and the doctor recommends the OTC drug to treat it and the treatment is not a cosmetic procedure.

- Acne treatment (Retin A) — only to treat a specific medical condition such as acne vulgaris.
- Dietary supplements or herbal medicines to treat a specific medical condition in narrow circumstances.
- Fiber supplements under narrow circumstances.
- Glucosamine/chondroitin for arthritis or other medical condition.
- Orthopedic shoes and inserts (for orthopedic shoes, you can be reimbursed only for the extra cost over buying non-orthopedic shoes).
- OTC hormone therapy and treatment for menopause for symptoms such as hot flashes and night sweats.
- Pills for persons who are lactose intolerant.
- Prenatal Vitamins
- St. John's Wart - for depression
- Sunscreen
- Weight-loss drugs to treat a specific disease (including obesity).

Ineligible Expenses

Some OTC items will not be reimbursed under any circumstances since they are toiletries or cosmetics or likely to be primarily for general health and well-being

- Chap stick
- Face cream, moisteners
- Medicated shampoos and soaps
- One-a-day vitamins
- Suntan lotion
- Teeth whitening (Rev. Rul. 2003.58)

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Other Non-Deductible Items

1. Controlled substances in violation of state law (e.g. marijuana)
2. Cosmetic surgery
3. Dance lessons
4. Diaper service
5. Dietary foods if not prescribed by a physician for an existing condition
6. Exercise program to improve general health
7. Funeral expenses
8. Health club dues unless related to a specific medical condition
9. Maternity clothes
10. Nursing services for a normal healthy baby
11. Vitamins and herbs

ITEMIZED DEDUCTIONS

What Qualified Preventive Care Screening Services are Deductible?

Pursuant to the safe-harbor definition of preventive care in IRS Notice 2004-23, the following medical screening services are deemed to qualify as preventive care. This means HSA and Code Section 125 and 105 plans can pay for these services without charging any deductible or by charging a lower deductible than the minimum deductible for garden-variety medical expenses.

<p>Cancer Screening Breast Cancer (e.g. Mammogram) Cervical Cancer (e.g. Pap Smear) Colorectal Cancer Prostate Cancer (e.g. PSA Test) Skin Cancer Oral Cancer Ovarian Cancer Testicular Cancer Thyroid Cancer</p> <p>Heart and Vascular Diseases Screening Abdominal Aortic Aneurysm Carotid Artery Stenosis Coronary Heart Disease Hemoglobinopathies Hypertension Lipid Disorders</p> <p>Infectious Diseases Screening Bacteriuria Chlamydial Infection Gonorrhea Hepatitis B Virus Infection Hepatitis C Human immunodeficiency Virus (HIV) Infection Syphilis Tuberculosis Infection</p> <p>Mental Health Conditions and Substance Abuse Screening Dementia Depression Drug Abuse Problem Drinking Suicide Risk Family Violence</p>	<p>Metabolic, Nutritional, and Endocrine Conditions Screening Anemia, Iron Deficiency Dental and Periodontal Disease Diabetes Mellitus Obesity in Adults Thyroid Disease Musculoskeletal Disorders Screening Osteoporosis</p> <p>Obstetric and Gynecologic Conditions Screening Bacterial Vaginosis in Pregnancy Gestational Diabetes Mellitus Home Uterine Activity Monitoring Neural Tube Defects Preeclampsia Rh Incompatibility Rubella Ultrasonography in Pregnancy Pediatric Conditions Screening Child Development Delay Congenital Hypothyroidism Pediatric Conditions Screening Child Development Delay Congenital Hypothyroidism Leads Levels in Childhood and Pregnancy Phenylketonuria Scoliosis, Adolescent idiopathic</p> <p>Vision and Hearing Disorders Screening Glaucoma Hearing impairment in Older Adults Newborn Hearing</p>
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