KENDALL GAZETTE

Ask Helen

Senior Living Communities Can Offer Tax Benefits

BY HELEN SHAHAM

Q. *My parents have been living in an assisted living community for nine months. Are any of these costs tax deductible?*

A. While I recommend that you and your parents consult your own income tax advisor for clarification about your personal situation, many assisted living expenses may be potential tax deductions.

In fact, many of the residents at our assisted living communities (The Palace Renaissance & Royale in Kendall and The Palace Gardens in Homestead), and our skilled nursing facility (The Palace Nursing & Rehabilitation Center in Kendall) have had a reduction in their income taxes as a result of their move to our community.

Monte S. Gordon, a certified public accountant (CPA) and tax partner at Coral Gables-based Berenfeld Spritzer Shechter & Sheer, LLP, works closely with many of the residents and families at The Palace's communities advises that medical expenses, including some long-term care expenses, are deductible if the expenses are more than 7.5 percent of the residents' adjusted gross income.

The most common types of medical expenses are those paid by medical insurance: doctors, dentists, hospitals and prescription drugs.

The definition of a "medical expense" has also been expanded to include "qualified long-term care services" such as those needed for necessary diagnostic, preventative, therapeutic, curing, treating, mitigating and rehabilitative services.

"Maintenance or personal care services that are required by a chronically ill individual and that are provided part of a plan of care prescribed by a licensed health care practitioner are included as well," said Gordon. "The primary purpose of maintenance or personal care services is to provide needed assistance to a chronically ill individual whose health and safety is threatened due to severe cognitive impairment."

In order to benefit from the deduction, the chronically ill individual must have been certified within the previous 12 months as (1) being unable to perform (without substantial assistance) at least two activities of daily living (ADL) such as bathing, eating, dressing, etc., for at least 90 days (in the future) due to a loss of functional capacity; or (2) requiring substantial supervision to protect such individual from threats to health and safety due to severe cognitive impairment; or (3) having a similar level of disability as determined by future regulations to be published by the Secretary of the Treasury.

Individuals with cognitive impairments such as Alzheimer's disease, but who are physically able, should be treated in the same manner as an individual who is unable to perform—without substantial assistance—at least two ADLs. Under these criteria, many residents of assisted living communities would qualify for this deduction.

"To qualify for the deduction, personal care services must be provided according to a plan of care prescribed by a licensed health care provider," explained Gordon. "A doctor, nurse or social worker must prepare a plan that outlines the specific daily services the resident will receive."

He believes that 100 percent of the monthly payment (room and board) paid by the residents of most assisted living communities and skilled nursing facilities should be deductible as qualified long-term medical care services, despite the fact that the monthly fee covers a variety of services.

In some circumstances, adult children may also get a tax deduction if their parents or other immediate family members (including in-laws) live at an assisted living community and qualify as their dependents.

The family member must be a U.S. citizen or legal resident or resident of Canada or Mexico and the adult child must provide more than half of the family member's total support for the year.

Additionally, the adult child may still be eligible for a deduction if he or she contributes to the family member's support according to a "multiple support agreement". They must pay more than 10 percent of the qualifying resident's total support for the year, and, with others who also support the resident, collectively contribute to more than half of the support.

This may give you food for thought, but tax rules can be very complex. It's important to consult a tax attorney or accountant versed in eldercare tax issues about your specific situation before finalizing your taxes.

Helen Shaham and her husband Jacob have been operating retirement communities for nearly 30 years. The Palace Suites in Kendall is a luxury Independent Living Community for active seniors. In addition, The Palace at Kendall campus is home to two Assisted Living Residences and a Nursing & Rehab Center. They also operate The Palace Gardens Assisted Living Community in Homestead, Homestead Manor Nursing Home and The Palace @ Home, a Medicare Certified Home Health Agency. Their two newest projects are The Palace at Weston – luxury living for those 55 and over, and The Palace Tel-Aviv, a continuing care retirement community in Israel. They have two communities under development – The Palace at Weston Senior Living and The Palace at Coral Gables. More information can be found on the company website, www.thepalace.org or by calling 305-270-7000.