Is Home Care Tax Deductible? What You Need to Know

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If you have a loved one who receives care at home, whether it's nonmedical assistance or home health care, some of these expenses are eligible for a tax deduction. The IRS has strict guidelines about what is and isn't deductible, so the type of care your loved one receives at home determines whether these costs are eligible. In general, the medical portion of home care may be deductible, while nonmedical support such as household tasks is not.

Key Takeaways

1. **The IRS allows for the deduction of certain medical expenses.** General home care tasks such as companionship and household chores typically aren't deductible.
2. **It's important to track how much time caregivers spend on nonmedical tasks.** Time spent on household tasks isn't deductible.
3. **The medical expense deduction is based on a percentage of your adjusted gross income.** You can only deduct costs that exceed 7.5% of your adjusted gross income.
4. **You may be able to claim some home modifications as a medical expense.** Modifications can address medical needs but shouldn't add value to your home.

Table of Contents

Key Takeaways
Home care vs. home health care: Tax implications
Who can deduct home care expenses on their taxes?
How to calculate tax deductions for home health care and home care
Additional ways to deduct home care expenses on your taxes
Additional resources

Home care vs. home health care: Tax implications

There isn't a blanket tax deduction for home health care or home care. However, using Schedule A of IRS form 1040, you can itemize and deduct certain unreimbursed medical expenses your loved one receives at home.[01] Many medical care expenses are deductible, as outlined in IRS Publication 502.

Is in-home care tax deductible?

The cost of certain nonmedical home care services may be deductible if a doctor determines they are medically necessary and includes them in a prescribed plan of care.

Home care typically consists of help with activities of daily living (ADLs). Payments for these services can only be included in deductible medical expenses if one of the following situations is true:[01]

- A physician certifies that their patient requires substantial supervision due to severe cognitive impairment.
- A physician certifies that their patient requires significant assistance with at least two ADLs for a minimum of 90 days.

Qualified ADLs include the following:[01]

- Bathing
- Continence
- Dressing
- Eating
- Personal hygiene
- Transferring

Keep in mind that an in-home caregiver may perform many other tasks. Payment for the following services can't be included in your medical expense deduction:

- Companionship
- Meal preparation
- Laundry
- Cleaning or other light housework
- Running errands

You'll first need to keep track of how a caregiver spends their time and then include only the amount that you spent on qualifying medical expenses. For example, let's say you hired a caregiver to help your parent for eight hours a day. They spend two hours each day helping with the doctor-prescribed ADLs listed above, and they spend six hours helping with other tasks. Because only 25% of their time is spent on ADL assistance, only 25% of your total home care expenses can be included as deductible medical expenses.

To help organize your records, ask the caregiver or the agency they work for to provide a written log of activities throughout the day. If you're unsure if a certain task is deductible, consult a tax professional or elder law attorney.

Is home health care tax deductible?

Yes, out-of-pocket costs for nursing services, including home health care, are tax deductible. It's important to keep in mind that many home health care services may be covered by insurance such as Medicare and Medicaid.

Home care patients are typically prescribed a care plan to receive nursing, rehabilitative, or other medical services at home. From a tax perspective, this care plan may make it easier for you to tell which services are medically necessary and therefore deductible. However, asking the nurse or home health aide to account for their activities throughout the day is still a wise practice, especially if they're caring for your loved one for long periods of time.

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Who can deduct home care expenses on their taxes?

Seniors can claim these deductions on their own taxes if they paid out of pocket for their care. In some cases, a person can also deduct out-of-pocket medical expenses they paid for a dependent or a qualifying relative, such as an aging parent.

The following family and non-family members may be claimed as a qualifying relative:[01]

- Siblings, half siblings, and a son or daughter of any of them
- Father, mother, or an ancestor or sibling of either of them (for example, your grandmother, grandfather, aunt, or uncle)
- Stepbrother, stepsister, stepfather, stepmother
- Son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law

- Any person who lawfully lived with you all year as a member of your household

Additionally, you must have provided more than half of the individual's support in 2023 to claim them as a qualifying relative on your 2024 tax return. If these relationship and support requirements are met, you can include qualifying medical expenses you paid for your loved one in your deduction.[01]

How to calculate tax deductions for home health care and home care

According to the IRS, medical expenses only become eligible for a tax deduction if they exceed 7.5% of your adjusted gross income.[01] Your adjusted gross income is less than your gross income and takes into account other adjustments, such as contributions you make to a retirement account.[02]

The first step is adding up your qualified unreimbursed medical expenses for the year.

Here's an example: The median cost of home care is $30 per hour, according to A Place for Mom's proprietary data.[03] A full-time caregiver typically works 44 hours per week, which will cost approximately $68,640 annually. If your loved one's caregiver spends 70% of their time providing qualified long-term care or nursing services at 30.8 hours per week, then about $48,000 of their salary is eligible as a tax deductible expense.

The next step is comparing what you've spent with your adjusted gross income.

Let's say your adjusted gross income is $100,000. You can only claim expenses that exceed 7.5% of your income, which in this example would be $7,500. This means that you'd need to subtract $7,500 from the $48,000 you paid, resulting in a $40,500 deduction.

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Additional ways to deduct home care

expenses on your taxes

Aside from medically necessary tasks, you may be able to claim other costs under the medical expense deduction.

Household employee

If you've hired an independent caregiver and have contributed taxes (state employment tax, Social Security tax, etc.) as their employer, you may be able to recoup some of these expenses.[04] The IRS outlines several details about this particular tax situation in Publication 926.

If you work with a home care or home health agency, this scenario wouldn't apply to you, because the caregiver is an employee of that agency.

Home modifications

The IRS allows you to deduct expenses for medically necessary home modifications, provided these changes aren't intended to increase the value of the property.[01] Examples of these modifications include the following: [01]

- Building entrance ramps
- Widening doorways and hallways
- Lowering countertops or modifying kitchen equipment
- Adding railings or support bars to hallways and bathrooms

Read more: How to Pay for Home Care

Additional resources

Taxes can be complicated, so it's best to work with a tax preparer you trust if you have any questions or concerns about which home care or home health care expenses are deductible.

Both home care and home health care can be expensive. While a tax deduction may help, there are other savings options you may want to explore. Payment options for long-term care can include public insurance programs (such as Medicaid), private pay sources, long-term care insurance, or a mix of these. Exploring all these resources can help you stretch your home care budget.

For personalized guidance at no cost to you, contact one of A Place for Mom's Senior Living Advisors. They can help you find a home care agency that meets your loved one's lifestyle, needs, and budget.

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