Tax Tips For Persons With Special Needs And Their Families

Medical Expenses

When figuring your deduction for medical expenses, you can generally include medical and dental expenses you pay for yourself, your spouse, and your dependents. Medical expenses are the cost of diagnosis, cure, mitigation, treatment, or prevention of disease and the costs for treatments. They include the costs of equipment, supplies, diagnostic devices, and transportation for needed medical care and payments for medical insurance.

You can deduct only the amount of your medical and dental expenses that is more than 7.5% of your adjusted gross income. The following list highlights some of the medical expenses you can deduct:

- Artificial limbs, contact lenses, eyeglasses, and hearing aids
- Cost and maintenance of a wheelchair
- Cost and care of a guide dog or other animal aiding a person with a physical disability
- Special training or therapy such as Occupational, Speech and Physical Therapy
- Costs for a school that furnishes special education if a principal reason for using the school is its resources for relieving a mental or physical disability
- Aides required for a child to benefit from regular or special education
- Premiums for qualified long-term care insurance, up to certain amounts
- Transportation Costs. Mileage to and from special schools or therapy sessions (at current medial mileage rate), parking fees, and airfare to obtain treatment or diagnostic evaluation
- Improvements to a home that do not increase its value if the main purpose is medical care. An example is constructing entrance or exit ramps
- Conferences – Events to learn more about your child's specific condition may also qualify as a tax deduction. Obtain a written recommendation to attend from your child's doctor. Travel, food and lodging expenses can also be included in this deduction

Tax Credits

There are three tax credits that may be of interest to people with disabilities and those who care for people with disabilities.

(1) Child and Dependent Care Credit

If you pay someone to care for either your dependent under age 13 or your spouse *or dependent who is not able to care for himself or herself,* you may be able to get a credit of up to 35% of your expenses. (If your child requires supervision due to disability the age limit does not apply) To qualify, you must pay these expenses so you can work or look for work.

The care must be provided for:

1. Your qualifying child who is your dependent and who was under age 13 when the care was provided,
2. Your spouse who was not physically or mentally able to care for himself or herself and lived with you for more than half the year, or
3. A person who was not physically or mentally able to care for himself or herself and lived with you for more than half the year

See IRS Publication 503, Child and Dependent Care Expenses, for more detailed information.

(2) Credit for the Elderly or the Disabled
You may be able to claim this credit if either of the following applies:
1. You were 65 or older at the end of 2016,
2. You were under 65 at the end of 2016 and all three of the following statements are true.
   a. You retired on permanent and total disability.
   b. You received taxable disability income for 2016
   c. On January 1, 2016 you had not reached mandatory retirement age

See IRS Publication 524, Credit for the Elderly or the Disabled, for more detailed information.

(3) Earned Income Credit
This credit is based on the amount of your earned income. You can get the credit if your adjusted gross income is less than certain amounts and you have one or more qualifying children.
To be a qualifying child, your child must be younger than you (or your spouse if married filing jointly) and under age 19 or a full-time student under age 24 at the end of 2016, or permanently and totally disabled at any time during 2016, regardless of age.
See IRS Publication 596, Earned Income Credit, for more detailed information.

Income
All income is taxable unless it is specifically excluded by law. Here are some important items of interest for people with disabilities.
Supplemental Security Income (SSI) benefits are not considered taxable income

If a beneficiary receives only Social Security Disability Insurance (SSDI) payments and no other income, the SSDI benefits are generally not taxable

Amounts paid through a qualified Dependent Care Assistance Program are not included as taxable income, up to certain limits

Where To Get More Information

The IRS provides free information that cover each of the topics listed above.
IRS Publication 502, "Medical and Dental Expenses"
IRS Publication 503, "Child and Dependent Care Expenses"
IRS Publication 524, "Credit for the Elderly or the Disabled"
IRS Publication 596, "Earned Income Tax Credit"
IRS Publication 907, "Tax Highlights for Persons with Disabilities"

This article is informational only and is not intended for tax or legal advice. Before claiming tax deductions for your special needs child, consult a certified accountant, tax service or the Internal Revenue Service.